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THE LONG AND WINDING ROAD TO THE GOOGLE BOOKS SETTLEMENT

JONATHAN BAND

ABSTRACT

In its Library Project, Google is scanning millions of books from the world's leading research libraries to include in a searchable database. This scanning has occurred without the copyright owners' authorization, leading to the class action copyright infringement lawsuit, *Authors Guild v. Google, Inc.* The central legal issue in the litigation is whether copyright law's fair use doctrine provides Google with a defense against the authors' claims. Ultimately, the parties reached a settlement. The proposed Settlement Agreement is an extremely complex document which, if approved by the court, will govern the future of the Google Library Project. It creates a mechanism that allows Google to scan and display the full text of millions of books. In exchange, Google will pay fees to each book's rightsholder. The proposed settlement has precipitated a heated public debate over competition concerns, privacy, intellectual freedom, and the rights of authors and publishers. This article traces the history of the Google Library Project and discusses in-depth the original Google Library Project, the litigation, the original Settlement Agreement, the debate concerning the approval of the Settlement Agreement, and the Amended Settlement Agreement.

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THE LONG AND WINDING ROAD TO THE GOOGLE BOOKS SETTLEMENT

JONATHAN BAND *

In December 2004, Google announced that it would include in its search database the full text of books from the world's leading research libraries.¹ Google's scanning of millions of books without the copyright owners' authorization precipitated newspaper editorials,² public debates,³ and ultimately two copyright infringement lawsuits in federal court.⁴ Google's primary defense in those suits, which were consolidated, was that its scanning of books to create a search index fell within the fair use privilege of 17 U.S.C. § 107.⁵

After three years of litigation, but before the court could rule on the fair use argument, Google and the plaintiffs, in October 2008, announced the settlement of the lawsuit.⁶ The settlement, which would allow Google to sell access to the full text of millions of books, provoked another round of newspaper editorials and public debates.⁷ Because the litigation was structured as a class action, the settlement requires the court's approval.⁸ In response to objections made by rightsholders and the United States Department of Justice, the parties negotiated an amended

* Jonathan Band represents Internet companies and library associations on intellectual property and Internet policy matters in Washington, D.C. He represents library associations in connection to the proposed settlement of the Library Project litigation, but the views expressed here are his own. Portions of this article have appeared in J. Band, *The Google Settlement: International Implications*, Computer Law Review International (2009); J. Band, *Google and Fair Use*, 3 J. OF BUS. & TECH. L. 1 (2008); J. Band, *The Google Library Project: Both Sides of the Story*, Plagiarism: Cross-Disciplinary Studies in Plagiarism, Fabrication and Falsification (2006), J. Band, *The Google Print Library Project: A Copyright Analysis*, E-Commerce Law & Policy (August 2005); and briefing papers prepared for the National Association of College and University Attorneys, the American Library Association, the Association of College and Research Libraries, and the Association of Research Libraries. Consistent with the conventions of legal scholarship, these articles are cited where they are relied upon.

¹ Press Release, Google, Inc., Google Checks Out Library Books (Dec. 14, 2004), available at http://www.google.com/press/pressrel/print_library.html.

² Editorial, *Google's Big Plan for Books*, N.Y. TIMES, July 28, 2009, at A22, available at <http://www.nytimes.com/2009/07/29/opinion/29wed3.html>.

³ James Temple, *Google Book Project Far From Settled*, S.F. CHRON., Aug. 19, 2009, at C-1, available at <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/08/19/BUQH199RJU.DTL>.

⁴ Complaint, *Authors Guild v. Google, Inc.*, No. 05 Civ 8136 (S.D.N.Y. Sept. 20, 2005) [hereinafter *Authors Guild Complaint*]; Complaint, *McGraw-Hill Cos., Inc. v. Google, Inc.*, No. 05 Civ 8881 (S.D.N.Y. Oct. 19, 2005) [hereinafter *McGraw-Hill Complaint*].

⁵ 17 U.S.C. § 107 (2006); Answer at 7, *Author's Guild*, No. 05 Civ 8136 (S.D.N.Y. Nov. 30, 2005); Answer at 8, *McGraw-Hill*, No. 05 CV 8881 (S.D.N.Y. Nov. 8, 2005).

⁶ Press Release, Google Press Center, *Authors, Publishers, and Google Reach Landmark Settlement* (Oct. 28, 2008) (on file with The John Marshall Review of Intellectual Property Law), available at http://www.google.com/intl/en/press/pressrel/20081027_booksearchagreement.html.

⁷ See Jonathan Band, *Google and Fair Use*, 3 J. BUS. & TECH. L. 1, 2 (2008) [hereinafter Band, *Google and Fair Use*].

⁸ FED. R. CIV. P. 23(e).

settlement agreement, which was pending before the court at the writing of this article.⁹

Some of the attention the Library Project has received can be attributed to public fascination with any move taken by Google, one of the most successful companies in the digital economy.¹⁰ The sheer scale of the project and its possible implications for research, libraries, and the publishing industry has also captured the public imagination.¹¹ Finally, precisely because of Google's success and the breadth of services the settlement would permit, the settlement has fueled fears of Google domination of a wide range of information-related markets.¹²

This article will first review the original Library Project and the ensuing litigation, focusing on the fair use arguments made by each side. The article will then summarize the complex settlement proposed by the parties, discuss some of the criticisms raised against it and describe the amended settlement agreement.¹³

I. THE COSTS OF MASS DIGITIZATION

An entity that seeks to digitize the millions of book titles stored in research libraries confronts two significant costs. First is the cost of the digitization process itself. Using current technology, digitizing a page costs approximately 10 cents. If the average book has 250 pages, the cost of digitizing 30 million books could exceed \$750 million.¹⁴

Second is the cost of obtaining the copyright owners' permission to digitize the books. Experts estimate that approximately 20% of published books are in the public

⁹ Jessica E. Vascellaro & Jeffrey A. Trachtenberg, *Delay Sought for Hearing on Book Pact*, WALL ST. J., Sept. 23, 2009, at B6, available at <http://online.wsj.com/article/SB125364844014531665.html>.

¹⁰ Band, *Google and Fair Use*, *supra* note 7, at 2.

¹¹ *See id.*

¹² *Google Talking to D.O.J. About Books Settlement Report*, FORBES, Sept. 16, 2009, http://www.forbes.com/feeds/reuters/2009/09/16/2009-09-17T033133Z_01_SP377339_RTRIDST_0_GOOGLE.html.

¹³ *See* Charles W. Bailey, Jr., *Google Book Search Bibliography*, <http://www.digital-scholarship.org/gbsb/gbsb.htm> (last visited Nov. 21, 2009). A vast literature on the Google Library Project already exists. *Id.*

¹⁴ *See* Jonathan Band, *The Google Library Project: Both Sides of the Story*, 1 PERSPECTIVES 2, 8 (2006) [hereinafter Band, *Both Sides of the Story*]. Google has not definitively disclosed the intended size of the Library Project. The numbers mentioned in this article come from projections made by publishing and library experts at numerous fora concerning the Library Project in which the author has participated. *See, e.g.*, Solveig Singleton et al., *Gutenberg Meets Google: The Debate About Google Print*, pff.org/issues-pubs/pops/pop13.1googletranscript.pdf (last visited Nov. 20, 2009) [hereinafter Singleton, *Gutenberg Meets Google*]; Band, *supra*; Tim O'Reilly, *Oops – Only 4% of Titles Are Being Commercially Exploited*, O'Reilly Radar, Nov. 4, 2005, http://radar.oreilly.com/archives/2005/11/oops_only_4_of_titles_are_bein.html; Brian Lavoie, Lynn Silipigni Connaway, & Lorcan Dempsey, *Anatomy of Aggregate Collections: The Example of Google Print for Libraries* (2005), <http://www.dlib.org/dlib/september05/lavoie/09lavoie.html> (last visited Nov. 20, 2009). As discussed in Part VI, the Amended Settlement Agreement would apply to only half of these books—those published in the United States, the United Kingdom, Canada, and Australia.

domain.¹⁵ This means that 24 million titles are still under copyright. The potential liability for infringing the copyrights in 24 million books is enormous. A court can assess statutory damages of up to \$150,000 for the infringement of each work, or a total of \$3.6 trillion.¹⁶ At the same time, the transaction costs of determining who owns all these copyrights, locating all the rightsholders, and negotiating millions of licenses would also be overwhelming.¹⁷ Most books published in the United States include a copyright notice, but that notice only indicates who owned the copyright at the time of publication—not the current copyright owner.¹⁸ Moreover, the copyright notice does not specify whether the author, the publisher, or a third party has the right to authorize digitization.¹⁹ Furthermore, books published outside the United States often have no copyright notice, although they typically receive copyright protection in the United States.²⁰ There is no registry of current copyright ownership, with current contact information for the owner. Compounding these problems is the distributed nature of copyright ownership: there are millions of authors and thousands of publishers. Thus, the digitizing entity could easily spend more than a thousand dollars per title just to identify, locate, and contact the relevant rightsholders—even if the rightsholders had no objection to the entity scanning its work for free. The transaction costs alone could easily reach over \$24 billion (\$1000/book x 24,000,000 in copyright books).²¹

¹⁵ See Singleton, *Gutenberg Meets Google*, *supra* note 14, at 15. Books first published before 1923 are in the public domain, and 14% of United States published books were published before 1923. See *id.* at 9. The status of books published since 1923 is more complicated. Seventeen percent of United States published books were published between 1923 and 1963. Books published in the United States in this 40 year period entered the public domain if their rightsholders did not renew their copyright. Surveys show that the rightsholders of only 6% of the books published in this 40 year period renewed their copyrights. Accordingly, a large percentage of these books have entered the public domain. In contrast, books published outside of the United States between 1923 and 1963 do not have to meet this renewal requirement. If these books were still in copyright in the country of publication in 1996, then the copyright lasts for 95 years after publication. Thus, it is difficult to make estimates concerning the copyright status of books published outside the United States between 1923 and 1963.

¹⁶ 17 U.S.C. § 504(c)(2) (2006) (providing for damages of up to \$150,000 per infringing work in cases of willful infringement).

¹⁷ See Singleton, *Gutenberg Meets Google*, *supra* note 14, at 15 (“[T]he transaction costs would be enormous for Google to contact every single right-holder. It’s very difficult to find who owns the copyrights, especially for older works. It’s an incredibly time-consuming, expensive process.”).

¹⁸ See *id.* Publishers often require authors to assign over their copyrights as a condition of publication. See Roxanne Christ, *Milne v. Slesinger: The Supreme Court Refuses to Review The Ninth Circuit’s Limits on the Rights of Authors and Their Heirs to Reclaim Transferred Copyrights*, 14 U.C.L.A. ENT. L. REV. 33, 34 (2007). However, by agreement, the copyright often reverts back to the author once the book is out of print. This introduces another wrinkle—publishers have different definitions of the term “out of print,” and with print on demand technology, many books are never out of print.

¹⁹ See Singleton, *Gutenberg Meets Google*, *supra* note 14, at 15. A copyright in a work consists of a “bundle” of rights that can be assigned or transferred to different people. *Id.* Because the author, the publisher, or a third party can control different rights at different points in time, this article will use the term “rightsholder” to refer to a person with a copyright interest.

²⁰ See 17 U.S.C. § 411(a).

²¹ Band, *Both Sides of the Story*, *supra* note 14, at 8. The clearance costs would be significant even with respect to each title published by a major publisher. Whether the publisher or the author owns the copyright turns on the specific contract between the publisher and the author. And while publishers tend to use standard form contracts, the publishers modify the forms over time, and the

Making matters worse, for a significant percentage of these titles, the digitizing entity simply will not succeed in identifying or locating the current rightsholder, even if it devoted thousands of dollars per title.²² A publisher may have gone bankrupt decades ago and records do not exist concerning the current owner of remaining assets.²³ An author may have died and neither his will nor his heirs can be located.²⁴ Although there is no way to know with any precision how many books fall in this “orphan” category, conservative estimates range between 1.5 million to 6 million.²⁵

In short, the digitizing entity is caught between the cost of copyright infringement liability and the cost of copyright clearance. These insurmountable costs have deterred mass book digitization initiatives in the past. The entire saga of Google’s Library Project can be understood as Google’s effort to avoid these costs in order to achieve its book digitization objective, just as Odysseus had to navigate between the sea monsters Scylla and Charybdis guarding the Straits of Messina.²⁶ As discussed below in greater detail, Google employed three different strategies in this effort.

- First, Google designed a service that provided rightsholders with a range of choices, the most important of which was the ability to opt out altogether.²⁷ By providing rightsholders with an easy opt-out mechanism, Google hoped to avoid the cost of locating rightsholders who did not object to the digitization, and the cost of copyright liability to those who did.²⁸
- Second, when rightsholders rejected the first approach by filing a copyright infringement lawsuit, Google relied on the Copyright Act’s fair use privilege to excuse its actions.²⁹
- Third, recognizing that the outcome of the litigation was far from certain, and the limitations of the services it could provide under the fair use privilege,

authors negotiate modifications. Thus, there is significant variation from contract to contract. Moreover, as noted above, a copyright assigned to a publisher might by contract revert to the author when the book goes out of print. Further, the contract might be ambiguous as to the allocation of the digital indexing rights, given the newness of the technology. Accordingly, for each title, the digitizing entity would have to obtain a copy of the contract, review it, and determine the ownership. If the author owns the copyright, as would usually be the case since most of the titles in a publisher’s catalogue typically are out of print, the digitizing entity would have to locate the author or her heirs.

²² See Singleton, *Gutenberg Meets Google*, *supra* note 14, at 16.

²³ See *e.g.*, *id.* (explaining the extreme cost involved in legal time and effort required to track down the copyright owner of each book).

²⁴ See, *e.g.*, Band, *Both Sides of the Story*, *supra* note 14 at 8 (“If the author is deceased, his heirs might not be aware that they own the copyright.”).

²⁵ See LibraryLaw Blog: Why the Google Book Settlement is Better Than Orphan Works Legislation, <http://blog.librarylaw.com/librarylaw/2009/05/why-the-google-books-settlement-is-better-than-orphan-works-legislation.html> (last visited Nov. 21, 2009).

²⁶ See HOMER, *THE ODYSSEY OF HOMER* 191 (Richmond Lattimore trans., Harper Perennial Modern Classics) (1999).

²⁷ See Band, *Both Sides of the Story*, *supra* note 14, at 2.

²⁸ *Id.* at 9.

²⁹ *Id.* at 3.

Google entered into a sweeping class action settlement agreement with publishers and authors.³⁰

II. THE ORIGINAL GOOGLE LIBRARY PROJECT

A. General Features

Google Book Search has two facets: the Partner Program and the Library Project.³¹ Under the Partner Program, a publisher controlling the rights in a book can authorize Google to scan the full text of the book into Google's search database.³² In response to a user query, the user receives bibliographic information concerning the book as well as a link to relevant text.³³ By clicking on the link, the user can see the full page containing the search term, as well as a few pages before and after that page.³⁴ Links enable the user to purchase the book from booksellers or the publisher directly, or visit the publisher's website.³⁵ Additionally, the publisher shares in contextual advertising revenue if the publisher has agreed for advertisements to be shown on its book pages.³⁶ Publishers can remove their books from the Partner Program at any time.³⁷ The Partner Program raises no copyright issues because it is conducted pursuant to an agreement between Google and the rightsholder.³⁸

Under the original Library Project, Google scanned into its search database materials from research libraries around the world.³⁹ In response to search queries,

³⁰ See generally Jonathan Band, *The Google Settlement and Higher Education: Imminent Deadlines*, NACUA NOTES, April 17, 2009, <http://www.counsel.cua.edu/copyright/googlebooks.cfm> (providing an overview of the Google settlement).

³¹ History of Google Books, <http://books.google.com/googlebooks/history.html> (last visited Nov. 21, 2009) (detailing that the Google Book Search project was originally called the Google Print project). Google first called the Partner Program the Publisher Program. Google Book Search, <http://books.google.com/googlebooks/about.html> (last visited Nov. 21, 2009).

³² Google Books Partner Program, http://books.google.com/googlebooks/book_search_tour/index.html (last visited Nov. 21, 2009).

³³ Google Books Tour, http://books.google.com/googlebooks/book_search_tour/books3.html (last visited Nov. 21, 2009).

³⁴ See *id.*

³⁵ See *id.*

³⁶ *Id.*

³⁷ Google Book Search Help Center, What If I Find One of My Books in Google Books and Would Like It Removed?, <http://books.google.com/support/bin/answer.py?answer=43756&topic=9011> (last visited Nov. 21, 2009).

³⁸ As of the writing of the article, approximately 1.5 million books are included in the Partner Program. Gillian Spraggs, *The Google Book Settlement and European Authors*, http://www.gillianspraggs.com/gbs/google_settlement.html (last visited Nov. 21, 2009).

³⁹ See Google Books Library Partners, <http://books.google.com/googlebooks/partners.html> (last visited Nov. 21, 2009). Although the settlement had not been approved as of the writing of this article, the original features of the Library Project, and the litigation, are discussed in the past tense, and the features permitted under the settlement are discussed in the future tense. Forty research libraries have agreed to permit Google to scan books in their collections, including the Bavarian State Library, Cornell University Library, Ghent University Library, Harvard University, Keio University Library, Oxford University, Princeton University, Stanford University, The National Library of Catalonia, The New York Public Library, University of California, University

Google displayed the full text of public domain materials,⁴⁰ but only a few sentences of text around the search term in books still covered by copyright.⁴¹ This is a critical fact that bears repeating: for books still under copyright, users could see only a few sentences on either side of the search term—what Google called a “snippet” of text.⁴² Users *could not* see a few pages, as under the Partner Program, *nor* the full text, as for public domain works.⁴³ Indeed, users could never see even a single page of an in-copyright book scanned as part of the Library Project as originally designed.⁴⁴

Moreover, if a search term appeared many times in a particular book, Google displayed no more than three snippets containing that term from the book, thus preventing the user from viewing too much of the book for free.⁴⁵ Finally, Google did not display any snippets for certain reference books, such as dictionaries, where the display of even snippets could harm the market for the work.⁴⁶ Google scanned the text of the reference books into its search database, but in response to a query the user received only bibliographic information.⁴⁷ The page displaying the snippets indicated the closest library containing the book, as well as where the book could be purchased, if that information was available.⁴⁸

Because of non-disclosure agreements between Google and the libraries, many details concerning the project are not available.⁴⁹ It appears that Google scanned only public domain materials from most of its partner libraries, while it scanned both public domain and in-copyright books at the University of Michigan, University of California, and Stanford University libraries.⁵⁰ Google attempted to avoid scanning the same book in different libraries; but the inaccuracy of bibliographic information in reference tools such as card catalogs made it difficult to determine easily whether two books were, in fact, identical. For example, a card catalogue entry might not indicate whether different volumes are of the same edition. Given these inaccuracies, Google erred on the side of inclusion.⁵¹

Complutense of Madrid, University Library of Lausanne, University of Michigan, University of Texas-Austin, University of Virginia, and University of Wisconsin-Madison. *See id.*

⁴⁰ Google Books, <http://books.google.com/googlebooks/screenshots.html#fullview> (last visited Nov. 21, 2009).

⁴¹ *Id.*

⁴² *See* The Future of Google Books, http://books.google.com/intl/en_uk/googlebooks/agreement/ (last visited Nov. 21, 2009).

⁴³ *See id.*

⁴⁴ *See* Google Books Library Project, <http://books.google.com/googlebooks/library.html> (last visited Nov. 21, 2009) (providing examples of the different display treatments under the Google Book Search Library Project).

⁴⁵ Band, *Google and Fair Use*, *supra* note 7, at 17.

⁴⁶ *Id.*; Jonathan Band, *The Google Library Project: The Copyright Debate*, OFFICE FOR INFO. TECH. POLY 3 (Jan. 2006) [hereinafter Band, *The Copyright Debate*].

⁴⁷ Band, *Google and Fair Use*, *supra* note 7, at 17.

⁴⁸ *Id.*

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ Band, *The Copyright Debate*, *supra* note 46, at 1.

B. Google's Opt-Out Policy

In August 2005, eight months after announcement of the Library Project, Google declared that it would allow rightsholders to opt out of the Project.⁵² If a rightsholder provided it with a list of its titles that it did not want Google to scan at libraries, Google respected that request, even if the books were in the collection of one of the participating libraries.⁵³ Google stated that it would not scan any in-copyright books between August and November 1, 2005, to provide the rightsholders with the opportunity to decide which books to exclude from the Project.⁵⁴ Thus, under the original Library Project, Google provided a rightsholder with three choices with respect to any work: 1) it could participate in the Partner Program, in which case it could share in revenue derived from the display of pages from the work in response to user queries; 2) it could let Google scan the book under the Library Project and display snippets in response to user queries; or 3) it could opt-out of the Library Project, in which case Google would not scan its book.⁵⁵

C. The Library Copies

As part of Google's agreement with the participating libraries, Google provided each library with a digital copy of the books in its collection scanned by Google.⁵⁶ Under the 2004 agreement between Google and the University of Michigan, Michigan agreed to use its copies only for purposes permitted under the Copyright Act.⁵⁷ If any of these lawful uses involved the posting of all or part of a library copy on Michigan's website—for example, posting the full text of a public domain work—Michigan agreed to limit access to the work and to use technological measures to prevent the automated downloading and redistribution of the work.⁵⁸ Another possible use

⁵² Band, *Both Sides of the Story*, *supra* note 14, at 2.

⁵³ *Id.*

⁵⁴ Jonathan Band, *The Google Library Project: A Copyright Analysis*, www.policybandwidth.com/doc/googleprint.pdf (last visited Nov. 20, 2009). Google initially required rightsholders to state under penalty of perjury that they owned the copyright in the books they wished to opt-out. Google relaxed this requirement after the rightsholders complained that they felt uncomfortable making assertions of ownership "under penalty of perjury" because of the complexities of copyright law. See Sanford G. Thatcher, *Fair Use in Theory and Practice: Reflections on its History and the Google Case* 11–12, http://www.psupress.psu.edu/news/NACUA_thatcher.pdf.

⁵⁵ Band, *Both Sides of the Story*, *supra* note 14, at 2.

⁵⁶ Google Book Search Help Center—Do the Libraries Get a Copy of the Book?, <http://books.google.com/support/bin/answer.py?answer=43751> (last visited Nov. 20, 2009).

⁵⁷ Cooperative Agreement, Google, Inc.-University of Michigan, Dec. 14, 2004, § 4.1, *available at* <http://www.lib.umich.edu/files/services/mdp/um-google-cooperative-agreement.pdf> [hereinafter Michigan Cooperative Agreement]. The contract was disclosed as required under the Michigan Freedom of Information Act. As discussed below, Google and Michigan entered into an expanded agreement after the announcement of the proposed settlement.

⁵⁸ See *id.* § 4.4.1 ("U of M shall restrict access to the U of M Digital Copy to those persons having a need to access such materials and shall also cooperate in good faith with Google to mutually develop methods and systems for ensuring that the substantial portions of the U of M Digital Copy are not downloaded from the services offered on U of M's website or otherwise disseminated to the public at large.").

described by Michigan was keeping the copies in a restricted (or “dark”) archive until the copyright expired or the copy was needed for preservation purposes.⁵⁹

D. Actions by Other Search Engines.

Soon after Google announced the Library Project, both Yahoo and Microsoft announced their own digitization projects.⁶⁰ Microsoft announced that it would digitize 100,000 volumes from the British Library.⁶¹ Yahoo agreed to host the Open Content Alliance, under which entities such as the University of California and the Internet Archive would post digitized works.⁶² Microsoft also participated in the Open Content Alliance until 2008.⁶³ The salient difference between these projects and Google’s Library Project was that these projects involved only works in the public domain or works where the owner had opted-in to the digitization,⁶⁴ while Google scanned in-copyright books without the owner’s authorization, as well as works in the public domain.⁶⁵

III. THE LITIGATION

On September 20, 2005, the Authors Guild and several individual authors sued Google in the United States District Court for the Southern District of New York, alleging that the Library Project infringed their copyrights.⁶⁶ The lawsuit was styled as a class action on behalf of all authors whose works were in the University of Michigan’s collection.⁶⁷ A month later, on October 19, 2005, five publishers—McGraw-Hill, Pearson, Penguin, Simon & Schuster, and John Wiley & Sons—sued Google in the same court.⁶⁸ The authors request damages and injunctive relief.⁶⁹ The publishers, in contrast, only requested injunctive relief.⁷⁰ Neither group of plaintiffs moved for a temporary restraining order before the November 1, 2005, date on which Google announced that it would resume scanning in-copyright books.⁷¹

⁵⁹ UM Library/Google Digitization Partnership FAQ, Aug. 2005, <http://www.lib.umich.edu/files/services/mdp/faq.pdf> (last visited Nov. 20, 2009).

⁶⁰ See Elinor Mills, *Microsoft to Offer Book Search*, CNET, Oct. 25, 2005, http://news.cnet.com/2100-1025_3-5913711.html; Elinor Mills, *Yahoo to Digitize Public Domain Books*, CNET, Oct. 2, 2005, http://news.cnet.com/Yahoo-to-digitize-public-domain-books/2100-1038_3-5887374.html.

⁶¹ See Band, *Both Sides of the Story*, *supra* note 14, at 2.

⁶² See Katie Hafner, *In Challenge to Google, Yahoo Will Scan Books*, N.Y. TIMES, Oct. 3, 2005, at C1, <http://www.nytimes.com/2005/10/03/business/03yahoo.html?pagewanted=2>.

⁶³ Band, *The Copyright Debate*, *supra* note 46, at 3.

⁶⁴ See Hafner, *supra* note 62.

⁶⁵ HarperCollins announced that it intended to scan 20,000 books on its backlist and make the digital text available on its server for search engines to index. See Band, *The Copyright Debate*, *supra* note 46, at 3. It would offer this service to search engines free of charge. *Id.* “The technological feasibility of this distributed indexing has not yet been proven.” *Id.*

⁶⁶ *Authors Guild* Complaint, *supra* note 4, ¶¶ 37–42.

⁶⁷ See *id.* ¶¶ 23a, 30–31, 39, 44–45.

⁶⁸ *McGraw-Hill* Complaint, *supra* note 4.

⁶⁹ *Authors Guild* Complaint, *supra* note 4, ¶¶ 42, 50.

⁷⁰ *McGraw-Hill* Complaint, *supra* note 4, ¶ 41.

⁷¹ See Band, *Both Sides of the Story*, *supra* note 14, at 3.

Neither group sued the libraries for making the books available to Google, nor for the copies Google was making for them.⁷² The two cases ultimately were consolidated into one action.⁷³

The Library Project involved three activities that raised copyright questions. First, Google copied the full text of books into its search database.⁷⁴ Second, in response to user queries, Google presented users with a few sentences from the stored text. Because the amount of expression presented to the user is *de minimis*, this second action probably would not lead to liability.⁷⁵ Third, Google reproduced and provided to each library a digital copy of the books in its collection scanned by Google.⁷⁶ The public debate concerning the lawsuits focused on the first issue, Google's copying of the full text of books into its search database.⁷⁷

A. *The Curious Nature of the Library Project Litigation*

From the outset, the Library Project litigation differed from most copyright cases. Typically, the plaintiff's primary objective is to stop the infringing use. The plaintiff's secondary objective is to recover any damages it suffered before the use stopped. Accordingly, the vast majority of plaintiffs seek preliminary relief in the form of a temporary restraining order or a preliminary injunction. Here, however, neither set of plaintiffs, the publishers and the authors, requested preliminary relief.⁷⁸

Additionally, prior to the filing of the case, Google had already offered the plaintiffs terms nearly equivalent to what they could reasonably hope to obtain if they were to prevail at trial. As noted above, Google stated that it would honor any properly documented request by a publisher or author to exclude a book from Google's search index.⁷⁹ Thus, the authors and publishers could have obtained the equivalent of injunctive relief just by asking Google to exclude their books from its search index.⁸⁰

As an alternative to opting out of the Library Project, the rightsholders could opt-in to the Partner Program.⁸¹ As noted above, under this program, the copyright owners authorize Google to scan the full text of the book into Google search index,

⁷² *Id.*

⁷³ Case Management Order Regarding Coordination and Scheduling at 2–3, *Authors Guild v. Google, Inc.*, 05 Civ 8136 (DC) (S.D.N.Y. May 22, 2006).

⁷⁴ See Band, *Both Sides of the Story*, *supra* note 14, at 3.

⁷⁵ Band, *The Copyright Debate*, *supra* note 46, at 3.

⁷⁶ Settlement Agreement § 7.2(a)(i), *Author's Guild*, Case No. 05 CV 8136 (S.D.N.Y. Oct. 28, 2008) (proposed), available at <http://www.googlebooksettlement.com/intl/en/Settlement-Agreement.pdf> [hereinafter Settlement Agreement].

⁷⁷ See Band, *Both Sides of the Story*, *supra* note 14, at 3.

⁷⁸ See *Authors Guild* Complaint, *supra* note 4, at 13; *McGraw-Hill* Complaint, *supra* note 4, at 13–14.

⁷⁹ See Band, *Both Sides of the Story*, *supra* note 14, at 3; Google Book Search, What If I Find One of My Books in Google Books and Would Like It Removed?, <http://books.google.com/support/bin/answer.py?answer=43756&topic=9011> (last visited Nov. 21, 2009) [hereinafter Google Books Removal Information].

⁸⁰ See Google Books Removal Information, *supra* note 79.

⁸¹ See Band, *Both Sides of the Story*, *supra* note 14, at 8.

decide how much text Google displays in response to a query, and split advertising revenue with Google.⁸² In other words, Google would pay a royalty for the use of the books – the equivalent of actual damages.⁸³

Given that the owners could have obtained the relief they sought in the litigation simply by opting out of the Library Project or opting into the Partner Program, why did they nonetheless pursue litigation? It appears that for associations representing the plaintiffs, it was a matter of principle. They believed that the structure of the Library Project “turns copyright law on its head.”⁸⁴ Under copyright law, a person generally can use a work only if he requests permission from the rightsholder and the rightsholder grants that permission.⁸⁵ The burden of action is on the user, not the rightsholder. The user must make the request, and if the rightsholder chooses to ignore the request, the user cannot use the work.⁸⁶ By contrast, under the Library Program, Google attempted to shift the burden onto the rightsholder.⁸⁷ Unless a rightsholder took the affirmative step of either requesting Google to exclude a book from the search index or include it in the Partner Program, Google would scan the book into its search index.⁸⁸ According to Pat Schroeder, AAP President, Google’s opt-out procedure “shifts the responsibility for preventing infringement to the copyright owner rather than the user, turning every principle of copyright law on its ear.”⁸⁹ Thus, for the rightsholders, the dispute was largely a matter of the inherent principle of copyright law: copyright owners should not have any obligation to take any affirmative steps to prevent their work from being used without permission.⁹⁰

B. The Legal Issue: Fair Use

The rightsholders certainly were correct that typically the burden falls on the user to request permission to use a work, and that the use of a work without authorization normally is a copyright infringement.⁹¹ Since Google, in the Library Project, copied vast amounts of copyrighted material without authorization, it could escape copyright liability only if its copying fell within one of the Copyright Act’s exceptions or limitations.⁹² Google’s strongest defense lay in the fair use doctrine, 17

⁸² See Google Books Tour, *supra* note 33.

⁸³ See *id.*

⁸⁴ Allan R. Adler, *The Google Library Project* 5 n.8, <http://publishers.org/main/Copyright/CopyKey/documents/ARApaperforNAA-NAB-MLRCconferenceJuly2006-final.pdf>.

⁸⁵ See 17 U.S.C. § 201 (2006).

⁸⁶ See *id.* (providing owners the exclusive right to authorize use of works).

⁸⁷ See Band, *Both Sides of the Story*, *supra* note 14, at 3.

⁸⁸ See *id.* at 2.

⁸⁹ Press Release, Association of American Publishers, Google Library Project Raises Serious Questions for Publishers and Authors (Aug. 12, 2005) (on file with The John Marshall Review of Intellectual Property Law), available at http://www.publishers.org/main/PressCenter/Archicves/2005_Aug/Aug_02.htm.

⁹⁰ See *id.*

⁹¹ See 17 U.S.C. § 106 (2006).

⁹² 17 U.S.C. §§ 107–122 (setting forth the limitations to the scope of copyrights and enumerating statutory defenses to copyright infringement, including the fair use defense found in section 107).

U.S.C. § 107.⁹³ The critical legal question in the litigation was whether the fair use doctrine excused Google's copying.⁹⁴

1. *Google's Core Fair Use Argument*

Google's core fair use argument rested on two recent cases in the United States Court of Appeals for the Ninth Circuit: *Kelly v. Arriba Soft Corp.*⁹⁵ and *Perfect 10, Inc. v. Amazon.com, Inc.*⁹⁶

a. *Kelly v. Arriba Soft Corp.*

In *Kelly v. Arriba Soft Corp.*, Arriba Soft operated a search engine for Internet images.⁹⁷ Arriba compiled its database of images by sending out software spiders that copied thousands of pictures from websites, without the express authorization of the website operators.⁹⁸ Arriba reduced the full size images into thumbnails, which it stored in its database.⁹⁹ In response to a user query, the Arriba search engine displayed responsive thumbnails.¹⁰⁰ If a user clicked on one of the thumbnails, she was linked to the full size image on the original website from which the image had been copied.¹⁰¹ Kelly, a photographer, discovered that some of the photographs from his website were in the Arriba search database, and he sued for copyright infringement.¹⁰² The lower court found that Arriba's reproduction of the photographs was a fair use, and the Ninth Circuit affirmed.¹⁰³

⁹³ See *id.* § 107. In its answer to the Authors Guild lawsuit, Google raised numerous other defenses, including merger doctrine, scenes a faire, failure to comply with copyright registration formalities, lack of suitability for class action treatments, and the plaintiffs' lack of standing. Answer, Jury Demand and Affirmative Defenses of Defendant Google, Inc. at 6–7, *Authors Guild v. Google, Inc.*, No. 05 Civ 8136 (S.D.N.Y. Nov. 20, 2005). In the Publishers' suit, Google raised many of these defenses, as well license to scan and the publishers' lack of ownership of electronic rights. Answer, Jury Demand and Affirmative Defenses of Defendant Google, Inc. at 8, *McGraw Hill Cos v. Google, Inc.*, No. 05 Civ 8881 (S.D.N.Y. Nov 8, 2005).

⁹⁴ See *infra* Part III.B.1–2. The fair use arguments and counter-arguments recounted here emerged in the many public discussions on the Library Project that occurred after commencement of the litigation. See generally Singleton, *Gutenberg Meets Google*, *supra* note 14 (discussing fair use and the Google Library Project). Arguments attributed here to Google were made either by Google itself or supporters of the Library Project. *E.g.* Field v. Google, Inc., 412 F. Supp. 2d 1106, 1115–23 (D. Nev. 2006) (analyzing Google's defenses in a copyright infringement case, including the fair use defense). The objective of this section of this article is not to exhaustively examine the application of fair use to the Library Project. See discussion *infra* Part III.B.1–2. Rather, the objective is to review the arguments actually made at the time in the public debates on the Library Project.

⁹⁵ 336 F.3d 811 (9th Cir. 2003).

⁹⁶ 487 F.3d 701 (9th Cir. 2007).

⁹⁷ 336 F.3d 811, 815 (9th Cir. 2003).

⁹⁸ *Id.* at 815–16.

⁹⁹ *Id.* at 815.

¹⁰⁰ *Id.*

¹⁰¹ *Id.* at 816.

¹⁰² *Id.*

¹⁰³ *Id.* at 817, 822.

With respect to “the purpose and character of the use, including whether such use is of a commercial nature,”¹⁰⁴ the Ninth Circuit acknowledged that Arriba operated its site for commercial purposes. However, Arriba Soft’s use of Kelly’s images

was more incidental and less exploitative in nature than more traditional types of commercial use. Arriba was neither using Kelly’s images to directly promote its web site nor trying to profit by selling Kelly’s images. Instead, Kelly’s images were among thousands of images in Arriba’s search engine database.¹⁰⁵

Moreover, the court concluded that Arriba Soft’s use was “transformative”—that use did not merely supersede the object of the originals, but instead added a further purpose or different character.¹⁰⁶ While Kelly’s “images are artistic works intended to inform and to engage the viewer in an aesthetic experience,” Arriba Soft’s search engine “functions as a tool to help index and improve access to images on the internet.”¹⁰⁷ The Ninth Circuit stressed that “Arriba’s use of the images serves a different function than Kelly’s use—improving access to information on the internet versus artistic expression.”¹⁰⁸ The court closed its discussion of the first fair use factor by concluding that Arriba Soft’s “use of Kelly’s images promotes the goals of the Copyright Act and the fair use exception.”¹⁰⁹ This is because the thumbnails “do not supplant the need for the originals” and they “benefit the public by enhancing information-gathering techniques on the internet.”¹¹⁰

With respect to the second fair use factor, the nature of the copyrighted work,¹¹¹ the Ninth Circuit observed that “[w]orks that are creative in nature are closer to the core of intended copyright protection than are more fact-based works.”¹¹² Moreover, “[p]ublished works are more likely to qualify as fair use because the first appearance of the artist’s expression has already occurred.”¹¹³ Kelly’s works were creative, but published.¹¹⁴ Accordingly, the Ninth Circuit concluded that the second factor weighed only slightly in favor of Kelly.¹¹⁵

The court also reviewed the third factor, “the amount and substantiality of the portion used in relation to the copyrighted work as a whole.”¹¹⁶ The Ninth Circuit ruled that

¹⁰⁴ 17 U.S.C. § 107(1) (2006).

¹⁰⁵ *Arriba Soft*, 336 F.3d at 818.

¹⁰⁶ *Id.*

¹⁰⁷ *Id.*

¹⁰⁸ *Id.* at 819.

¹⁰⁹ *Id.* at 820.

¹¹⁰ *Id.*

¹¹¹ 17 U.S.C. § 107(2) (2006).

¹¹² *Arriba Soft*, 336 F.3d at 820 (quoting *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1016 (9th Cir. 2001) (citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 586 (1994))).

¹¹³ *Id.* (citing *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 564 (1985)).

¹¹⁴ *Id.*

¹¹⁵ *Id.*

¹¹⁶ 17 U.S.C. § 107(3).

although Arriba did copy each of Kelly's images as a whole, it was reasonable to do so in light of Arriba's use of the images. It was necessary for Arriba to copy the entire image to allow users to recognize the image and decide whether to pursue more information about the image or the originating web site. If Arriba copied only part of the image, it would be more difficult to identify it, thereby reducing the usefulness [and effectiveness] of the visual search engine.¹¹⁷

Finally, the Ninth Circuit decided that the fourth fair use factor, "the effect of the use upon the potential market for or value of the copyrighted work,"¹¹⁸ weighed in favor of Arriba.¹¹⁹ The court found that the Arriba "search engine would guide users to Kelly's web site rather than away from it."¹²⁰ Additionally, the thumbnail images would not harm Kelly's ability to sell or license full size images because the low resolution of the thumbnails effectively prevented their enlargement.¹²¹

b. Perfect 10, Inc. v. Amazon.com, Inc.

During the pendency of Library Project litigation, the Ninth Circuit had the opportunity to revisit its holding in *Arriba Soft*, a fair use case involving Google. Perfect 10 published erotic photographs in a magazine and a website.¹²² It claimed that other websites copied and displayed its photographs without permission.¹²³ In the course of its search engine operations, Google automatically scanned the photographs on the infringing websites, stored them in its search database, displayed thumbnails of these infringing images in response to search queries, and provided

¹¹⁷ See *Arriba Soft*, 336 F.3d at 821.

¹¹⁸ 17 U.S.C. §107(4).

¹¹⁹ *Arriba Soft*, 336 F.3d at 821–22.

¹²⁰ *Id.* at 821.

¹²¹ *Id.* at 821–22; see *Field v. Google, Inc.*, 412 F. Supp. 2d 1106 (D. Nev. 2006). Blake Field brought a copyright infringement lawsuit against Google after the search engine automatically copied and cached 51 stories he posted on his website. *Id.* at 1114. Google argued that its Google Cache feature, which allows Google users to link to an archival copy of websites indexed by Google, does not violate copyright law. *Id.* The court granted summary judgment in favor of Google on five independent bases:

(1) Serving a webpage from the Google Cache does not constitute direct infringement, because it results from automated, non-volitional activity initiated by users;

(2) Field's conduct (posting an allow all robots.txt header and then intentionally failing to set a no archive metatag) indicated that he impliedly licensed search engines to serve his archived web page;

(3) Fields is estopped from asserting a copyright claim because he induced Google to infringe by using software code that invited Google to cache and serve his website;

(4) The Google Cache is a fair use; and

(5) The Google Cache qualifies for the Digital Millennium Copyright Act's section 512(b) caching safe harbor for online service providers.

Id. at 1115–17, 1123–25.

¹²² *Perfect 10, Inc. v. Google, Inc.*, 416 F. Supp. 2d 828, 831–32 (C.D. Cal. 2006), *aff'd in part, rev'd in part*, 487 F.3d 701 (9th Cir. 2007).

¹²³ *Id.* at 834–35.

links to the infringing sites.¹²⁴ Additionally, Google provided the AdSense service.¹²⁵ If a website was an AdSense partner, Google served ads to the website.¹²⁶ Although AdSense and Google Search were distinct services, Google Search could lead a user to a website that was an AdSense partner.¹²⁷ Perfect 10 alleged that some of the infringing sites to which Google linked were AdSense partners.¹²⁸ A final fact: a company called Fonestarz licensed photos and made them available for download on cell-phones.¹²⁹ Perfect 10 alleged that it had licensed its images to Fonestarz for download onto cell-phones.¹³⁰ It further alleged that cell-phone users could download thumbnail Perfect 10 images from Google's site rather than from Fonestarz.¹³¹

Perfect 10 sued Google both for displaying thumbnail images of Perfect 10 photographs in response to search queries and for linking to sites where infringing images were displayed.¹³² Perfect 10 filed a motion for preliminary injunction, which the district court granted.¹³³ The court's rulings on the linking to the infringing sites touched on issues other than fair use, and thus are not relevant to this discussion.¹³⁴ In contrast, the district court's ruling on the display of the thumbnail images in the search results is directly relevant here; the district court distinguished *Arriba Soft* and found that Google's display was not a fair use.¹³⁵

The district court identified two features that differentiated this case from *Arriba Soft*: AdSense and Fonestarz.¹³⁶ In *Arriba Soft*, Arriba Soft received no financial benefit from the display of the Kelly's photograph.¹³⁷ Here, by contrast, Google received a financial benefit from the display of the Perfect 10 thumbnails because the thumbnails led users to infringing sites from which Google profited via the AdSense program.¹³⁸ The district court concluded that this made Google's use "more commercial" than Arriba Soft's.¹³⁹

Moreover, in *Arriba Soft*, the Ninth Circuit found that Arriba Soft's display of thumbnails did not harm the market for Kelly's work, in part because there was no market for the licensing of thumbnail images of Western scenery, the subject of Kelly's photos.¹⁴⁰ But there did appear to be an emerging market for thumbnail images of naked women.¹⁴¹ Fonestarz licensed photos and made them available for download on cell-phones, where they were the same size as the thumbnails Google displays.¹⁴² The *Perfect 10* district court found that it was possible that Google's

¹²⁴ *Id.* at 836.

¹²⁵ *Id.* at 834.

¹²⁶ *See id.*

¹²⁷ *See id.*

¹²⁸ *Id.* at 846–47.

¹²⁹ *Id.* at 832.

¹³⁰ *Id.*

¹³¹ *Id.* at 849.

¹³² *Id.* at 831.

¹³³ *Id.* at 831, 859.

¹³⁴ *Id.* at 851–58.

¹³⁵ *Id.* at 851.

¹³⁶ *Id.* at 846–51.

¹³⁷ *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 818 (9th Cir. 2003).

¹³⁸ *Perfect 10*, 416 F. Supp. 2d at 846.

¹³⁹ *Id.* at 847.

¹⁴⁰ *Arriba Soft*, 336 F.3d at 815, 821–22.

¹⁴¹ *Perfect 10*, 416 F. Supp. 2d at 851.

¹⁴² *Id.* at 849.

display of the thumbnails would interfere with the success of the Fonestarz service because cell-phone users could see the thumbnails through Google's image search for free.¹⁴³ Because of these factors, the court concluded that Google was unlikely to prevail on its fair use defense.¹⁴⁴

On May 16, 2007, the United States Court of Appeals for the Ninth Circuit reversed the district court's rejection of Google's fair use defense.¹⁴⁵ The Ninth Circuit strongly reaffirmed its holding in *Arriba Soft*, and rejected the district court's distinguishing of *Arriba Soft* on the basis of the AdSense program and the cell-phone downloads.¹⁴⁶ The Ninth Circuit found that there was no evidence that the Google thumbnails superseded the Fonestarz cell-phone downloads.¹⁴⁷ Further, the court found no evidence that AdSense revenue derived from infringing sites was commercially significant.¹⁴⁸ At the same time, the court held that Google's use of the thumbnails was "highly transformative."¹⁴⁹ In fact, the court went so far as to say that "a search engine may be more transformative than a parody," the quintessential fair use, "because a search engine provides an entirely new use for the original work, while a parody typically has the same entertainment purpose as the original work."¹⁵⁰

Accordingly, the Ninth Circuit "conclude[d] that the significantly transformative nature of Google's search engine, particularly in light of its public benefit, outweighs Google's superseding and commercial uses of the thumbnails in this case."¹⁵¹ The Ninth Circuit stated that in reaching this conclusion, it was mindful that the Supreme Court had stressed "the importance of analyzing fair use flexibly in light of new circumstances[,] . . . 'especially during a period of rapid technological change.'"¹⁵²

c. The Ninth Circuit Holdings Applied to the Library Project

Google's supporters argued that Ninth Circuit's fair use findings in *Arriba Soft* and *Perfect 10* applied with equal force to the Library Project.¹⁵³ Although Google operated the Library Project "for commercial purposes, it [was] not attempting to profit from the sale of a copy of any of the books scanned into its database, and thus its use is not highly exploitative."¹⁵⁴ Like the *Arriba Soft* and Google search engines,

¹⁴³ *Id.*

¹⁴⁴ *Id.* at 851.

¹⁴⁵ *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701, 733 (9th Cir. 2007).

¹⁴⁶ *Id.* at 722–23.

¹⁴⁷ *Id.* at 723–25.

¹⁴⁸ *Id.* at 722.

¹⁴⁹ *Id.* at 724. The case name is styled *Perfect 10, Inc. v. Amazon.com, Inc.* because an appeal in a related case involving Amazon was consolidated with Google's appeal. *Id.* at 713. *Perfect 10* had sued Amazon for providing users with a link to Google search results. *Id.* at 732.

¹⁵⁰ *Id.* at 721.

¹⁵¹ *Id.* at 723.

¹⁵² *Id.* (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 431–32 (1984) (quoting H.R. Rep. No. 94-1476, at 65–66 (1976))).

¹⁵³ Band, *Both Sides of the Story*, *supra* note 14, at 4.

¹⁵⁴ *Id.* In *Field v. Google, Inc.*, the court dismissed the argument that Google was a commercial entity by stressing that there was no evidence that Google profited from using Field's stories. 412 F. Supp. 2d 1106, 1120 (D. Nev. 2006). As noted above, the court observed that his works were among

Google's use in the Library Project was transformative in that Google was creating a tool that made "the full text of all the world's books searchable by everyone."¹⁵⁵ The tool did not supplant the original books because it displayed only a few sentences in response to user queries.¹⁵⁶ Like Arriba Soft and Google Image Search, the Library Project involved only published works.¹⁵⁷

Similar to the search engines in *Arriba Soft* and *Perfect 10*, Google's copying of entire books into its database was reasonable for the purpose of the effective operation of the search engine; searches of partial text necessarily would lead to incomplete results. Moreover, unlike Arriba and Google Image Search, the Library Project did not provide users with a copy of the entire work, but only with a few sentences surrounding the search term.¹⁵⁸ And if a particular term appeared many times in the book, the search engine allowed the user to view only three instances – thereby preventing the user from accessing too much of the book.¹⁵⁹

Finally, as with the Arriba Soft and Google Image search engines, it is hard to imagine how the Library Project could have actually harmed the market for books, given the limited amount of text a user could view. To be sure, if a user could have viewed (and printed out) many pages of a book, it is conceivable that the user would have relied upon the search engine rather than purchase the book. Similarly, under those circumstances, libraries might have directed users to the search engine rather than purchase expensive reference materials. But when the user could access only a few sentences before and after the search term, any displacement of sales was unlikely. Moreover, the Library Project may actually have benefited the market for the book by identifying it to users and demonstrating its relevance. This was particularly important for the vast majority of books that are not well publicized by their publishers. Google arguably encouraged users to obtain a hard copy of the book by providing a link to information where the book could be borrowed or purchased.¹⁶⁰

the billions of works in Google's database. *Id.* In the Library Project cases, Google could make the same argument with respect to any one owner.

¹⁵⁵ Adam M. Smith, Official Google Blog, *Making Books Easier to Find*, <http://googleblog.blogspot.com/2005/08/making-books-easier-to-find.html> (Aug. 11, 2005, 23:53 PDT). This tool includes not only digital copies of the books, but also an index of all the words in all the books, and sophisticated software that enables the user to search the index and access search results. See Google Books, How Does Google Books Work?, <http://books.google.com/support/bin/answer.py?hl=en&answer=43724> (last visited Nov. 21, 2009).

¹⁵⁶ See Google Books, *supra* note 155.

¹⁵⁷ See Google Books, Google Book Library Project – An Enhanced Card Catalog of the World's Books, <http://www.books.google.com/googlebooks/library.html> (last visited Nov. 21, 2009).

¹⁵⁸ *Id.*

¹⁵⁹ Google Book Settlement Frequently Asked Questions, <http://www.googlebooksettlement.com/help/bin/answer.py?answer=118704&hl=en> (last visited Nov. 21, 2009) [hereinafter Google Book Settlement FAQs].

¹⁶⁰ Smith, *supra* note 155. In *Field v. Google, Inc.*, the court considered an additional factor: "whether an alleged infringer has acted in good faith." 412 F. Supp. 2d 1106, 1122 (D. Nev. 2006) Google's allowing owners to opt-out, its refusal to display any snippets for certain reference works, and its willingness to upgrade any book into the revenue sharing Partner Program give Google strong evidence that it is acting in good faith.

2. *The Rightsholders' Response to Google's Core Fair Use Argument*

The rightsholders had four responses to the *Arriba Soft* and *Perfect 10* precedents.¹⁶¹

a. *Quality of Copy*

First, they noted that Arriba Soft and Google Image Search stored a compressed, low-resolution version of each image, while Google stored the full text of each book.¹⁶² This seems to be a distinction without a difference, because Arriba Soft and Google Image Search had to make a high resolution copy before compressing it.¹⁶³ These “low-resolution image[s] Arriba Soft displayed to users represents far more of the work than the snippets Google displayed to its Library Project users.”¹⁶⁴ In any event, neither the scanned copy nor the snippets supplant the market for the original work.¹⁶⁵

b. *Internet Environment*

Second, the rightsholders suggested that *Arriba Soft* and *Perfect 10* were distinguishable because they involved the copying of digital images on the Internet, while Google digitized analog works.¹⁶⁶ If a rightsholder decides to place a work on a website, it knows that the website will be “crawled” by a software “spider” sent out by a search engine, and it knows that the spider will copy the work into its search index.¹⁶⁷ Thus, by placing the work on the website, the rightsholder has given a search engine an implied license to copy the work into its search database.¹⁶⁸ By contrast, the author or publisher of a book has not given an implied license for the book to be scanned.¹⁶⁹

Google had three possible responses to this argument. One, the *Arriba Soft* and *Perfect 10* decisions made no reference to an implied license; their fair use analysis

¹⁶¹ The responses are based on arguments that owners' representatives have made at a series of debates on the Google Library Project in which the author of this article participated. *See, e.g.*, Allan Adler *The Google Library Project*, MEDIA L. RES. CTR. BELL. at 73, 76 n.7 (Dec. 2006); Singleton, *Gutenberg Meets Google*, *supra* note 14; *Fair Use: Its Effects on Consumers and Industry: Hearing Before the H. Subcomm. on Commerce, Trade, and Consumer Protection*, 109th Cong. (2005) [hereinafter Fair Use Hearing].

¹⁶² Singleton, *Gutenberg Meets Google*, *supra* note 14, at 3, 13.

¹⁶³ *See Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 816 (9th Cir. 2003); Band, *Google and Fair Use*, *supra* note 7, at 21.

¹⁶⁴ Band, *Both Sides of the Story*, *supra* note 14, at 21; Singleton, *Gutenberg Meets Google*, *supra* note 14, at 22.

¹⁶⁵ Singleton, *Gutenberg Meets Google*, *supra* note 14, at 22. Additionally, in *Field v. Google, Inc.*, the court found Google's presentation of caches of the full text of Field's stories to be a fair use. 412 F. Supp. 2d at 1119.

¹⁶⁶ Singleton, *Gutenberg Meets Google*, *supra* note 14, at 13.

¹⁶⁷ *See* Fair Use Hearing, *supra* note 161, at 32 (testimony of Jonathan Band).

¹⁶⁸ *See id.* at 63 (testimony of Paul Aiken explaining Google's argument of implied license).

¹⁶⁹ *See id.*

did not turn on an implied license.¹⁷⁰ Two, this argument suggests that works uploaded onto the Internet are entitled to less protection than analog works.¹⁷¹ This runs contrary to the entertainment industry's repeated assertion that copyright law applies to the Internet in precisely the same manner as it applies to the analog environment.¹⁷²

Three, Google argued that its opt-out feature constituted a similar form of implied license.¹⁷³ A critical element of the implied license argument with respect to material on the Internet is the rightsholder's ability to use an "exclusion header."¹⁷⁴ In essence, an exclusion header is a software "Do Not Enter" sign that a website operator can place on its website.¹⁷⁵ If a search engine's spider detects an exclusion header, it will not copy the website into the search index.¹⁷⁶ Thus, if a website operator places content on the Internet without an exclusion header, the search engine can assume that the operator has given it an implied license to copy the website.¹⁷⁷ Similarly, Google argued that any owner that did not opt out had given it an implied license to scan.¹⁷⁸

c. Licensing

The rightsholders argued that in contrast to *Arriba Soft* and *Perfect 10*, where there was no market for the licensing of web content for inclusion in search engines, the Library Project restricted owners' ability to license their books to search engine providers.¹⁷⁹ However, the existence of the Partner Program, which involves licensing, demonstrates that the Library Project did not preclude lucrative licensing

¹⁷⁰ See *Field*, 412 F. Supp. 2d at 1117–18. The implied license argument did not apply in *Perfect 10, Inc. v. Amazon.com, Inc.* because the websites from which Google copied the Perfect 10 images infringed Perfect 10's copyright and did not have the authority to license Google's use, either implicitly or explicitly. 487 F.3d 701, 718 (9th Cir. 2007).

¹⁷¹ Singleton, *Gutenberg Meets Google*, *supra* note 14, at 13.

¹⁷² *Id.*

¹⁷³ See *id.* at 23.

¹⁷⁴ *Id.* at 19–20.

¹⁷⁵ Fair Use Hearing, *supra* note 161, at 34. (providing the prepared statement of Jonathan Band on behalf of the NetCoalition).

¹⁷⁶ *Id.*

¹⁷⁷ See *Field v. Google, Inc.*, 412 F. Supp. 2d 1106, 1115–16 (D. Nev. 2006). In *Field v. Google, Inc.*, Google raised implied license as a defense. *Id.* at 1116. But Google's implied license argument in *Field* did not support the rightsholders' attempt to distinguish *Arriba Soft* or *Perfect 10* on the basis of the unique characteristics of spidering the Web. *Id.* In *Field*, the court treated implied license and fair use as distinct defenses. *Id.* at 1109. Thus, the absence of an implied license for the scanning in the Library Project did not weaken Google's fair use defense based on *Arriba Soft* or *Perfect 10*. Moreover, *Field* used a software header that specifically invited Google's spider to crawl his website. *Id.* at 1114. There is no evidence that Kelly or Perfect 10 made similar invitations to *Arriba Soft* or Google. See *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701, 731 (9th Cir. 2007); *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 816 (9th Cir. 2003).

¹⁷⁸ Singleton, *Gutenberg Meets Google*, *supra* note 14, at 10.

¹⁷⁹ Fair Use Hearing, *supra* note 161, at 66–67 (citing the prepared statement of Paul Aiken suggesting that the Google Library Project could ultimately make efforts by authors to license their works outside Google futile).

arrangements.¹⁸⁰ By participating in the Partner Program, publishers received revenue streams not available to them under the Library Project.¹⁸¹ Google presumably preferred for publishers to participate in the Partner Program because Google saved the cost of digitizing the content if publishers provided Google with the books in digital format.¹⁸² And Google made clear that it was willing to upgrade a book from the Library Project to the Partner Program upon the owner's request.¹⁸³

Furthermore, Yahoo announced the formation of the Open Content Alliance, which included works licensed by their owners, nearly a year after Google announced the Library Project.¹⁸⁴ Google's Library Project obviously did not deter Yahoo from adopting a different business model based on licensing.¹⁸⁵ Similarly, Amazon under license allowed users to sample a few pages from a book at no charge.¹⁸⁶

Significantly, the Library Project did not compete with a business model involving licensed works because such a model showed more than just snippets.¹⁸⁷ While the Library Project helped users identify the entire universe of relevant books, a model with licensed works provided users with deeper exposure to a smaller group of books.¹⁸⁸ Each business model satisfied different needs.¹⁸⁹ Stated differently, the Library Project targeted the indexing market, while other online digitization projects aimed at the sampling market.¹⁹⁰ By concentrating on the indexing market, the Library Project did not harm the sampling market.¹⁹¹

In any event, the enormous transaction costs involved in compiling a comprehensive full text search index with the rightholders' authorization precluded the creation of such an index in that manner.¹⁹² Thus, Google's index did not deprive owners of potential revenues from "traditional, reasonable, or likely to be developed markets" for the work.¹⁹³

Further, even if the rightholders had succeeded in showing that the Library Project's harm to the indexing market was not completely speculative,¹⁹⁴ the Second

¹⁸⁰ Google Books, Program Overview, <http://books.google.com/support/partner/bin/answer.py?answer=106167> (last visited Nov. 21, 2009).

¹⁸¹ *Id.*

¹⁸² *Id.* (offering publishers the ability to send pdf documents, presumably saving time in the uploading process).

¹⁸³ Smith, *supra* note 155.

¹⁸⁴ Press Release, Yahoo! Media Relations, Global Consortium Forms Open Content Alliance to Bring Additional Content Online and Make It Searchable (Oct. 3, 2005) (on file with The John Marshall Review of Intellectual Property Law), *available at* <http://docs.yahoo.com/docs/pr/release1269.html>.

¹⁸⁵ *See id.*

¹⁸⁶ Singleton, *Gutenberg Meets Google*, *supra* note 14, at 10.

¹⁸⁷ *See* Fair Use Hearing, *supra* note 161, at 32.

¹⁸⁸ *See id.* at 66 (prepared statement of Paul Aiken on behalf of the Authors Guild). Mr Aiken suggested that "a negotiated license could pave the way for a real online library – something far beyond the excerpts Google intends to offer through its Google Library program." *Id.* at 67.

¹⁸⁹ *See* BMG Music v. Gonzalez, 430 F.3d 888, 891 (7th Cir. 2005) (describing the models in the music industry).

¹⁹⁰ *See id.*

¹⁹¹ Singleton, *Gutenberg Meets Google*, *supra* note 14, at 22.

¹⁹² *Id.* at 16.

¹⁹³ *See* Am. Geophysical Union v. Texaco Inc., 60 F.3d 913, 930 (2d Cir. 1994).

¹⁹⁴ *See* Field v. Google, Inc., 412 F. Supp. 2d 1106, 1122 (D. Nev. 2006). As noted above, the court in *Field v. Google, Inc.* found that "there is no evidence before the Court of any market for

Circuit in a 2006 decision suggested that courts in fair use cases should not give weight to the loss of licensing revenue that the copyright owner could have obtained from “a transformative market.”¹⁹⁵ The court stated:

[W]e hold that DK’s use of BGA’s images is transformatively different from their original expressive purpose. In a case such as this, a copyright holder cannot prevent others from entering fair use markets merely “by developing or licensing a market for parody, news reporting, educational, or other transformative uses of its own creative work.” “[C]opyright owners may not preempt exploitation of transformative markets. . . .” Moreover, a publisher’s willingness to pay license fees for reproduction of images does not establish that the publisher may not, in the alternative, make fair use of those images. Since DK’s use of BGA’s images falls within a transformative market, BGA does not suffer market harm due to the loss of license fees.¹⁹⁶

Under this reasoning, the rightsholders’ hypothetical loss of revenue from the licensing of indexing rights should not enter into the fair use calculus.¹⁹⁷

Finally, had the *Field* court decided to factor the loss of licensing revenue into its fair use analysis, it likely would have been influenced by the Ninth Circuit’s holding in *Perfect 10* that “the significantly transformative nature of Google’s search engine, particularly in light of its public benefit, outweighs Google’s superseding and commercial uses of the thumbnails in this case.”¹⁹⁸

d. Legal Error

The rightsholder’s final response to *Arriba Soft* and *Perfect 10* was that they were wrongly decided.¹⁹⁹ In other words, the Ninth Circuit made a mistake. The authors and publishers sued Google in federal court in New York, part of the Second

licensing search engines the right to allow access to Web pages through ‘Cached’ links, or evidence that one is likely to develop.” *Id.*

¹⁹⁵ *Bill Graham Archives, LLC v. Dorling Kindersley Ltd.*, 448 F.3d 605, 614–15 (2d Cir. 2006).

¹⁹⁶ *Id.* (citations omitted) (second alteration in original).

¹⁹⁷ *See Video Pipeline, Inc., v. Buena Vista Home Entm’t, Inc.*, 342 F.3d 191 (3d Cir. 2003). The owners argued that the Library Project might deprive them of the promotional value of their works, *e.g.*, steering traffic away from their websites were they to offer search capability. Fair Use Hearing, *supra* note 161, at 66–67. The *Video Pipeline* court stated that interpreting the fourth fair use factor to incorporate promotional value of this sort significantly limits the utility of the fair use privilege because every work theoretically has some promotional value. *Video Pipeline*, 342 F.3d at 198–99. Additionally, if a particular owner believed that a search index of the works it owned did have promotional value, it could have simply opted-out of the Library Project. Singleton, *Gutenberg Meets Google*, *supra* note 14, at 13. In contrast, Video Pipeline did not permit Disney to opt-out of its service displaying film trailers. *Video Pipeline*, 342 F.3d at 195.

¹⁹⁸ *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701, 723 (9th Cir. 2007).

¹⁹⁹ Singleton, *Gutenberg Meets Google*, *supra* note 14, at 13.

Circuit.²⁰⁰ While the trial court in New York might have looked to *Arriba Soft* and *Perfect 10* for guidance, they are not binding precedent in the Second Circuit. Similarly, had the case been appealed to the Second Circuit, the Second Circuit would have been interested in how the Ninth Circuit handled a similar case, but it would have been free to conduct its own analysis.

The rightsholders suggested that the trial court in New York would be influenced by a decision by a federal trial judge in New York, *UMG Recordings, Inc. v. MP3.com, Inc.*²⁰¹ MP3.com established a “space-shifting” service that allowed people who purchased a CD to access the music on the CD from different locations.²⁰² MP3.com copied several thousand CDs into its server, and then provided access to an entire CD to a subscriber who demonstrated that he had possessed a copy of the CD.²⁰³ MP3.com argued that the copies it made on its server constituted fair use.²⁰⁴ The court rejected the argument and assessed millions of dollars of statutory damages against MP3.com.²⁰⁵ The rightsholders suggested that *MP3.com* demonstrated that for a work to be “transformative” in the Second Circuit for purposes of the first fair use factor, the work itself must be changed, as in a parody.²⁰⁶ Under this reasoning, a mere repurposing of the work was insufficient to render a use transformative.²⁰⁷

Google’s supporters contended that *MP3.com* was easily distinguishable.²⁰⁸ They claimed that Google’s use was far more transformative than MP3.com’s—it was creating a search index, while MP3.com simply retransmitted copies in another medium.²⁰⁹ Additionally, Google claimed that its use would not have harmed any likely market for the books—there was no market for licensing books for inclusion in digital indices of the sort envisioned by Google.²¹⁰ In contrast, MP3.com’s database clearly could harm markets for online music, which the plaintiffs had already taken steps to enter.²¹¹ The issue of different licensing markets is discussed below in greater detail.

Google also insisted that the Ninth Circuit decided *Arriba Soft* and *Perfect 10* correctly.²¹² It pointed to the Ninth Circuit’s heavy reliance on the Supreme Court’s most recent fair use decision, *Campbell v. Acuff-Rose Music, Inc.*²¹³ Thus, *Arriba Soft* noted that *Campbell* held that “[t]he more transformative the new work, the less

²⁰⁰ *Id.* at 13–14.

²⁰¹ 92 F. Supp. 2d 349 (S.D.N.Y. 2000).

²⁰² *Id.* at 351.

²⁰³ *Id.* at 350.

²⁰⁴ *Id.*

²⁰⁵ *Id.* at 352.

²⁰⁶ *See id.* at 351.

²⁰⁷ *Id.*

²⁰⁸ Hannibal Travis, *Opting Out of the Internet in the United States and European Union: Copyright, Safe Harbors, and International Law*, 84 NOTRE DAME L. REV. 331, 395 (2008).

²⁰⁹ Singleton, *Gutenberg Meets Google*, *supra* note 14, at 14.

²¹⁰ *See* Band, *Both Sides of the Story*, *supra* note 14, at 5.

²¹¹ *UMG Recordings*, 92 F. Supp. 2d at 352.

²¹² Defendant’s Motion for Summary Judgment at 56, *Field v. Google, Inc.*, 412 F. Supp. 2d 1106 (D. Nev. 2006).

²¹³ *See* *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).

important the other factors, including commercialism, become.”²¹⁴ Likewise, *Arriba Soft* cited *Campbell* for the proposition that “the extent of permissible copying varies with the purpose and character of the use.”²¹⁵ And *Arriba Soft* followed *Campbell*’s conclusion that “[a] transformative work is less likely to have an adverse impact on the market for the original than a work that merely supersedes the copyrighted work.”²¹⁶ Because the Ninth Circuit so closely followed *Campbell*, and because the Second Circuit was also obligated to follow *Campbell*, Google would have urged the Second Circuit to conduct a fair use analysis similar to the Ninth Circuit’s.²¹⁷

The rightsholders’ contention that the Second Circuit applied a different standard for transformation took a blow in May 2006, when the Second Circuit issued its decision in *Bill Graham Archives, LLC v. Dorling Kindersley Ltd.*²¹⁸ Dorling Kindersley (“DK”) published a coffee table biography of the Grateful Dead with over 2000 different images.²¹⁹ Among these were seven posters whose copyright was owned by Bill Graham Archives (“BGA”).²²⁰ BGA sued for infringement, but the District Court found that DK’s use was fair.²²¹ The Second Circuit affirmed, holding that DK’s inclusion of reduced images of the posters in a new work was transformative.²²² The court noted that DK’s

purpose in using the copyrighted images at issue in its biography of the Grateful Dead is plainly different from the original purpose for which they were created. Originally, each of BGA’s images fulfilled the dual purpose of artistic expression and promotion. . . . In contrast, DK used each of BGA’s images as historical artifacts to document and represent the actual occurrence of Grateful Dead concert events featured on [its] timeline.²²³

Thus, the Second Circuit, like the Ninth Circuit in *Arriba Soft*, focused on the repurposing of the original work, rather than on changes to the work itself.²²⁴

Further strengthening the transformational nature of DK’s use “was the manner in which DK displayed the images.”²²⁵ The court noted that DK reduced the size of the reproductions, and cited *Arriba Soft* as authority for the transformational nature of reproductions.²²⁶ Additionally, the court noted that BGA’s images “constitute an inconsequential portion” of the book.²²⁷ These factors were present in the Library Project as well—Google displayed only snippets, which revealed far less of a work

²¹⁴ *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 818 (9th Cir. 2003) (citing *Campbell*, 510 U.S. at 579).

²¹⁵ *Id.* at 820 (citing *Campbell*, 510 U.S. at 586–87).

²¹⁶ *Id.* at 821 (citing *Campbell*, 510 U.S. at 591).

²¹⁷ Singleton, *Gutenberg Meets Google*, *supra* note 14, at 17.

²¹⁸ 448 F.3d 605 (2d Cir. 2006).

²¹⁹ *Id.* at 607.

²²⁰ *Id.*

²²¹ *Bill Graham Archives, LLC v. Dorling Kindersley Ltd.*, 386 F. Supp. 2d 324, 333 (S.D.N.Y. 2005), *aff’d*, 448 F.3d 605 (2d Cir. 2006).

²²² *Bill Graham Archives*, 448 F.3d at 615.

²²³ *Id.* at 609.

²²⁴ *Id.* at 608–09.

²²⁵ *Id.* at 611.

²²⁶ *Id.*

²²⁷ *Id.*

than a thumbnail.²²⁸ Moreover, any one work constituted an inconsequential portion of the Google search index.²²⁹ In sum, the *BGA* decision suggests that a court in the Second Circuit might have found Google's use transformative.²³⁰

3. *Intermediate Copying*

In addition to the *Arriba Soft* and *Perfect 10* cases discussed above, Google pointed to the "intermediate copying" line of cases to demonstrate the fair use nature of the Library Project.²³¹ In these cases, courts found that fair use permitted the translation of machine-readable object code into human-readable source code as an essential step in the development of noninfringing interoperable computer programs.²³² Thus, Google's scanning of books should have been excused because it was a necessary step in the development of a search index that displays noninfringing snippets to users.

The rightsholders responded that the intermediate copying cases were distinguishable because they addressed a problem specific to software: translation of the programs is the only means of accessing ideas unprotected by copyright that are contained within the program.²³³ This problem, of course, does not exist with books. Furthermore, in the intermediate copying cases, the software developer discarded the translation once it developed its new, non-infringing program.²³⁴ Google, conversely, retained the scanned copy in its search index.²³⁵ While acknowledging these factual differences, Google's supporters stressed the underlying principle of the intermediate copying cases: that copying may be excused if it is necessary for a socially useful noninfringing end use.²³⁶

4. *The Equities*

Although courts typically focus on the four fair use factors and technical questions such as whether a use is transformative, the Supreme Court has stressed that fair use is an "equitable rule of reason" which "permits courts to avoid rigid

²²⁸ See Singleton, *Gutenberg Meets Google*, *supra* note 14, at 4.

²²⁹ *Id.* at 14–15.

²³⁰ See *Bill Graham Archives*, 448 F.3d at 613. The *Bill Graham Archives* court also cited *Arriba Soft* twice in its discussion of the third fair use factor. *Id.* Given the Second Circuit's extensive reliance on *Arriba Soft*, the owners would not have been able successfully to marginalize it as an aberrant Ninth Circuit decision. See *id.*

²³¹ See, e.g., *Sony Computer Entm't v. Connectix Corp.*, 203 F.3d 596, 608 (9th Cir. 2000); *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1526–28 (9th Cir. 1992); *Atari Games Corp. v. Nintendo of Am., Inc.*, 975 F.2d 832, 843 (Fed. Cir. 1992).

²³² See, e.g., *Sony Computer Entm't*, 203 F.3d at 608; *Sega*, 977 F.2d at 1526–28; *Atari Games*, 975 F.2d at 843.

²³³ See, e.g., *Sony Computer Entm't*, 203 F.3d at 608; *Sega*, 977 F.2d at 1526–28; *Atari Games*, 975 F.2d at 843.

²³⁴ See *Sega*, 977 F.2d at 1514–15.

²³⁵ See Google Books, What is the Google Books Partner Program?, <http://books.google.com/support/bin/answer.py?hl=en&answer=17855> (last visited Nov. 21, 2009).

²³⁶ Band, *Both Sides of the Story*, *supra* note 14, at 7.

application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.”²³⁷ In the public debate concerning the Library Project, supporters and opponents made a wide variety of equitable arguments that could ultimately have factored into the court’s analysis.²³⁸ Some of these equitable arguments overlap with factors discussed above with respect to *Arriba Soft* and *Perfect 10*.²³⁹

a. The Social Benefit of the Library Project

Google’s supporters stressed that by assembling a searchable index of the full text of millions of books, Google was creating a research tool of historic significance. The Library Project would make it easier than ever before for users to locate the wealth of information buried in books.²⁴⁰ By compiling this information in its search index, Google would be directing students to sources of information far more reliable than the websites they so often frequent, and reacquaint a new generation with books and libraries. Additionally, the Library Program would increase demand for books.²⁴¹

b. Lack of Alternatives

Google’s supporters next argued that it could not achieve the socially beneficial objective of a comprehensive, full text index if it had to clear the rights for all the in-copyright books.²⁴² As discussed above, the cost of clearing the rights to the universe of in-copyright books could have exceeded \$24 billion.²⁴³

Stated differently, had Google been required to obtain permission to scan the in-copyright books, it probably would have scanned only public domain works and works whose owners affirmatively requested their inclusion. Just a small percentage of owners were likely to take this step. Often, it is unclear whether the publisher or the author has the right to authorize digitization of a work. And even when it is clear who controls the digitization rights, the rightsholder might not have sufficient economic incentive to request Google to scan the book. For example, if a publisher

²³⁷ *Stewart v. Abend*, 495 U.S. 207, 237 (1990) (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 448 (1984); *Iowa State Univ. Research Found., Inc. v. Am. Broad. Cos.*, 621 F.2d 57, 60 (2d Cir. 1980)).

²³⁸ See *The Public Index*, <http://thepublicindex.org/documents/responses> (last visited Nov. 21, 2009).

²³⁹ See *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701, 719–20 (9th Cir. 2007); *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 820 (9th Cir. 2003). These equitable arguments also are consistent with Professor Wendy Gordon’s market failure approach to fair use, which examines whether “(1) market failure is present; (2) transfer of the use to defendant is socially desirable; and (3) an award of fair use would not cause substantial injury to the incentives of the plaintiff copyright owner.” Wendy Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors*, 82 COLUM. L. REV. 1600, 1614 (1982).

²⁴⁰ Band, *Both Sides of the Story*, *supra* note 14, at 7.

²⁴¹ *Id.*

²⁴² *Id.* at 7–8.

²⁴³ See discussion *supra* Part I.

controls the rights for an out-of-print book, it has little economic incentive to proactively request Google to scan the book.²⁴⁴

In the debates soon after commencement of the litigation, some suggested that the transaction costs could be reduced by a collective license, similar to the licenses ASCAP and BMI provide for the public performance of musical compositions.²⁴⁵ While such an arrangement could theoretically have worked for books published in the future, it would not have worked for the 24 million existing, in-copyright books. Getting a significant share of the copyright owners of these 24 million works to agree to participate in a collective license system would have been as costly as Google getting their permission individually.²⁴⁶

Others suggested a legislative solution. In January 2006, soon after the owners sued Google, the Copyright Office issued a report recommending legislation to address the orphan works problem.²⁴⁷ These recommendations were embodied in H.R. 5439, reported out of the House of Representatives Subcommittee on Courts, the Internet, and Intellectual Property in 2006, during the 109th Congress.²⁴⁸ The Senate passed similar legislation in 2008, at the end of the 110th Congress.²⁴⁹ Even if Congress had enacted orphan works legislation, it would not have assisted Google in creating a comprehensive full text search index for books. H.R. 5439 in the 109th Congress, and S. 2913 in the 110th Congress, would have limited the remedies available to a reappearing owner if the user made a reasonably diligent effort to locate the owner.²⁵⁰ In other words, Google would still have had to search for the copyright owner of each book. The legislation would have helped Google only in those instances where it could not identify or locate the copyright owner after a reasonably diligent search. And even in those instances, Google would still have had to pay “reasonable compensation” to any owner that reappeared.²⁵¹ In short, Google had no practical alternative means of achieving its objective.

c. Harm to the Rightsholders.

It was easy to see the harm to the public flowing from an incomplete search index—the public would not find as complete a universe of relevant books. And an incomplete search index would have been the inevitable result of placing on Google the burden of obtaining permission from the owners.

But it was much more difficult to identify the harm to the rightsholders deriving from allocating to them the burden of opting out, because the cost of the

²⁴⁴ Band, *Both Sides of the Story*, *supra* note 14, at 8–9.

²⁴⁵ *Id.*

²⁴⁶ *Id.* However, as discussed below, the class action settlement mechanism creates a collective rights management organization—the Book Rights Registry—without incurring the staggering cost of convincing the owners of the 24 million works to participate in the organization. *See* discussion *supra* Part I.

²⁴⁷ REGISTER OF COPYRIGHTS, REPORT ON ORPHAN WORKS 71–91 (2006), *available at* <http://www.copyright.gov/orphan/orphan-report.pdf>.

²⁴⁸ H.R. 5439, 109th Cong. (2006).

²⁴⁹ S. 2913, 110th Cong. (2008).

²⁵⁰ *See* H.R. 5439, § 514(a)(2); S. 2913, § 514(b)(2).

²⁵¹ H.R. 5439, § 514(b)(1)(a); S. 2913, § 514(a)(3).

rightsholders opting out was much less than Google's cost of seeking permission.²⁵² The author and her publisher are much better placed than Google to determine who has the right to authorize digitization. And whomever the rightsholder proved to be, she obviously knew where she was located.²⁵³

i. The Opt-out Flood

The rightsholders responded with a "floodgates" argument: If other search engines engaged in mass digitization projects with opt-out features, owners would have to opt-out repeatedly—a burdensome process, especially for individual authors.²⁵⁴ As a practical matter, however, only a small number of search engine firms had the resources to engage in digitization programs on the scale of Google's Library Project. And even if many specialized indices emerged, the number of indices that likely would include any specific book was small. Also, if this had become a problem at some point in the future, groups like the Authors Guild could have maintained a general opt-out register that search engines could have honored.²⁵⁵

ii. Licensing Revenue

The rightsholders conceded that a book's inclusion in the search index likely did not displace sales of the book because Google displayed only snippets text.²⁵⁶ Nonetheless, the rightsholders argued that Google's unauthorized actions deprived them of licensing revenue.²⁵⁷ Section II.B.2.c. above addressed the highly speculative nature of the harm the Library Project caused the market for licensing the digital indexing rights for books, and the propriety of even considering such harm in the fair use analysis. But assuming the existence of this licensing market for purposes of weighing the equities, the value of a license with respect to any particular book would have been relatively small.²⁵⁸ While Google wanted its index to be comprehensive as possible, the marginal value of the inclusion of any particular book out of 24 million books was small. Accordingly, Google would have been willing to pay at most an extremely modest fee for the indexing rights to any single book. Even for a publisher that owned the rights to a large backlist of books, the total license fees it would have received would probably have been relatively small. Therefore, although the aggregate value of all the licenses in this hypothetical market would have been

²⁵² Band, *Both Sides of the Story*, *supra* note 14, at 9.

²⁵³ See Georgia Harper, *Google This: The Bottom Line*, <http://www.utsystem.edu/OGC/IntellectualProperty/googlethis.htm> (last visited Nov. 21, 2009); see Joy Su, *Google Book Search and Opt-Out Procedures*, 54 J. COPYRIGHT SOC'Y.U.S.A. 947 (2009).

²⁵⁴ Band, *Both Sides of the Story*, *supra* note 14, at 11; see Fair Use Hearing, *supra* note 161, at 66–67 (statement of Paul Aiken).

²⁵⁵ Band, *Both Sides of the Story*, *supra* note 14, at 11.

²⁵⁶ See *id.* at 10.

²⁵⁷ Second Amended Complaint at 17, *Authors Guild v. Google, Inc.*, No. 05 Civ 8136 (S.D.N.Y. Oct. 31, 2008) [*Authors Guild* Second Amended Complaint].

²⁵⁸ Band, *Both Sides of the Story*, *supra* note 14, at 10.

substantial, copyright ownership is dispersed among so many authors and publishers that any one owner could reasonably have expected only trivial license fees.²⁵⁹

iii. Changing Practices

The rightsholders argued that even if the structure of the original Library Project did not cause them economic harm, Google could have changed the structure in a manner that would inflict injury. For example, at some point in the future, Google might have decided to display larger portions of the indexed books, which could have displaced sales. Google responded that if it did change its policy in a manner that hurts sales, the rightsholders could sue at that time. Since displaying some of a book's text in response to a search query implicates both the reproduction right and the display right, a rightsholder would have been able to bring an infringement action against Google when it changed its policy, even if that occurred long after the original scanning of the book.²⁶⁰ Accordingly, there was no reason to prevent Google from proceeding at a time when its practices did the owners no harm.

iv. Security.

The rightsholders also expressed concern about the security of the digitized copies in Google's search index.²⁶¹ They feared that someone would hack into the index and upload the digitized books onto the Internet, where they would be publicly available.²⁶² Moreover, the Second Circuit made clear that if an entity lawfully extracted information from another company's database, the entity was not liable for a third party's use of that information to infringe the other company's copyright in its database.²⁶³ Thus, the Second Circuit would not have held Google responsible for hackers' unlawful uses of the contents of its search index, unless the owners could have shown that Google somehow encouraged or induced the hackers to infringe.²⁶⁴

Google, however, had a significant incentive to protect the security of its index: it would not want to see its \$750 million investment evaporate.²⁶⁵ Additionally, given the ease of digitizing any single book bought in a bookstore or checked out of a library, it is far from clear why anyone would bother to hack into the Google index to access digitized books. And even if someone were to hack into the Google search

²⁵⁹ *Id.* The small value of the indexing licensing fees was borne out by the settlement, which will award an owner only a minimum of \$60 for each work scanned prior to the settlement, plus a target fee of \$200 for each book included in Google's index. Settlement Agreement, *supra* note 76, § 2.1(b). This \$260 would be supplemented by a usage fee proportionate to the book's use in the services offered by Google. *See id.* Because the settlement permits the sale of access to full text, a license fee for just indexing rights would be far less than \$260. *See id.*

²⁶⁰ 17 U.S.C. § 106(1), (5) (2006).

²⁶¹ Fair Use Hearing, *supra* note 161, at 63 (testimony of Paul Aiken).

²⁶² Fair Use Hearing, *supra* note 161, at 66 (prepared statement of Paul Aiken).

²⁶³ *See* Matthew Bender & Co. v. West Publ'g Co., 158 F.3d 693, 705–06 (2d Cir. 1998).

²⁶⁴ *See id.*; Band, *Both Sides of the Story*, *supra* note 14, at 10–11.

²⁶⁵ Band, *Both Sides of the Story*, *supra* note 14, at 10.

index, the information was formatted in a manner that facilitated word search, not distribution of full text, *i.e.*, the search index does not consist of pdf files.²⁶⁶

v. Morality

The rightsholders by and large agreed that the Library Project had significant social utility. Indeed, authors participating in the Authors Guild lawsuit acknowledge that the Library Project would provide them with a helpful research tool.²⁶⁷ Their objection was not that Google created a full text search index; it was that Google created the index without their permission and without compensating them.²⁶⁸ The rightsholders repeatedly pointed to Google's financial success.²⁶⁹ They argued that given a market capitalization and level of profitability that may have exceeded that of the entire publishing industry, Google could have afforded to pay for the right to index their works.²⁷⁰ Relatedly, the rightsholders claimed that Google would profit from including their works in its index, presumably by the selling of advertising.²⁷¹ In their view, Google should not have been permitted to profit from their labor without their permission.²⁷²

d. Broader Implications.

The rightsholders and other opponents of the Library Project argued that it had implications far beyond the parties that the court should consider in its fair use analysis.

i. The Impact on the Publishing Industry.

The rightsholders contended that if Google had been permitted to assemble a search index of in-copyright books, it would have had an unfair advantage over publishers that want to provide e-books.²⁷³ This is because the Library Project would have led consumers to perceive Google as the leading source for digital books.²⁷⁴ This argument overlooked the fact that Google would have been able to provide consumers with the full text of a book in its search index only with the permission of the copyright owner; fair use would not have permitted Google to make such a distribution without the rightsholder's authorization.²⁷⁵

²⁶⁶ *Id.*

²⁶⁷ See Fair Use Hearing, *supra* note 161, at 66 (statement of Paul Aiken).

²⁶⁸ See *id.*

²⁶⁹ See *id.* at 63 (testimony of Paul Aiken).

²⁷⁰ See *Authors Guild* Second Amended Complaint, *supra* note 257, at 3.

²⁷¹ Fair Use Hearing, *supra* note 161, at 63 (statement of Paul Aiken).

²⁷² *Authors Guild* Second Amended Complaint, *supra* note 257, at 3.

²⁷³ Band, *Both Sides of the Story*, *supra* note 14, at 11.

²⁷⁴ *Id.*; see also Fair Use Hearing, *supra* note 161, at 67 (prepared statement of Paul Aiken discussing the possible pre-eminence of Google as a deliverer of digital books).

²⁷⁵ Band, *Both Sides of the Story*, *supra* note 14, at 11.

The rightsholders similarly worried that the Library Project would have provided Google a bridgehead in the publishing industry, which it would have been able to exploit with its enormous resources.²⁷⁶ Of course, more competition for publishers would have benefited both authors and consumers. And if Google engaged in anti-competitive conduct, the publishers could have relied upon the antitrust laws.²⁷⁷

ii. The Privatization of Knowledge.

While many scholars acknowledged that the Library Project could have greatly assisted research activities, some nonetheless voiced concern that a corporate entity was assembling this vast search index rather than a public library.²⁷⁸ They felt that Google's ability to influence search results through its search algorithm would provide it with too much control over the access to knowledge.²⁷⁹ Additionally, they worried that Google would have an economic incentive not to respect the privacy of its users.²⁸⁰

While in theory it might have been preferable from a societal point of view for the Library Project to have been conducted by libraries rather than a private corporation, libraries simply did not have the resources to perform the scanning or to litigate the fair use issue.²⁸¹ Therefore, as practical matter, only a large search engine such as Google has both the resources and the incentive to perform this activity.

e. What Did Authors Want?

The Authors Guild, which sued Google, represented fewer than 10,000 professional authors.²⁸² Thus, its positions did not necessarily reflect the views of the hundreds of thousands of authors whose books would have been scanned under the Library Project, particularly academic authors. Most authors want their books to be found and read.²⁸³ Moreover, authors are aware that an ever increasing percentage of students and businesses conduct research primarily, if not exclusively, online.²⁸⁴ Therefore, if books cannot be searched online, many users will never locate them.²⁸⁵

²⁷⁶ *Id.* at 11–12.

²⁷⁷ See 15 U.S.C. §§ 1, 2, 15 (2006).

²⁷⁸ Band, *Both Sides of the Story*, *supra* note 14, at 12; see also Siva Vaidhynathan, *A Risky Gamble With Google*, CHRON. HIGHER EDUC. Dec. 2, 2005, at B7–10 (discussing concerns about a corporation indexing books instead of the traditional libraries).

²⁷⁹ Band, *Both Sides of the Story*, *supra* note 14, at 12.

²⁸⁰ *Id.*

²⁸¹ *Id.*

²⁸² The Authors Guild – History, <http://www.authorsguild.org/about/history.html> (last visited Nov. 21, 2009).

²⁸³ See Tim O'Reilly, Editorial, *Search and Rescue*, N.Y. TIMES, Sept. 28, 2005, at A27, available at <http://www.nytimes.com/2005/09/28/opinion/28oreilly.html> (“Authors struggle, mostly in vain, against their fated obscurity.”).

²⁸⁴ Band, *Both Sides of the Story*, *supra* note 14, at 12.

²⁸⁵ *Id.*

The Library Project was predicated upon the assumption the authors generally would have wanted readers to find their books.²⁸⁶

The original Library Project would have been particularly important for authors of out-of-print books. While the publishers may have participated in digitization projects such as the Partner Program with respect to in-print books, they had no incentive to devote any effort to the out-of-print books, which from the publishers' perspective had little economic value. But since the publishers of these out-of-print books may have still held the copyright, the authors of the books would not have had the legal right to authorize Google to scan their books. This large class of authors probably would have been pleased that Google provided users with a mechanism to find their abandoned books. Indeed, many of them might even have been willing to pay Google to include their books in its search index, and were happy that Google did so free of charge. While the authors typically would have received no direct economic benefit from the rediscovery of their out-of-print works, the rediscovery would have enhanced their reputations and led to the dissemination of their ideas. In any event, if an author had not wanted Google to scan her in-print or out-of-print book, Google would have honored her request.²⁸⁷

5. *The Legality of the Library Copies*

Google provided each library participating in the Library Project with a digital copy of the books in its collection scanned by Google.²⁸⁸ Although the public debate concerning the Library Project centered on the copies Google made for its search index, the complaints filed by the Authors Guild and the publishers reached the copies Google made for the libraries.²⁸⁹ Some rightsholders argued that while fair use might permit a library to make a digital copy of a work for archival purposes, Google, a commercial entity, could not rely on the library's fair use privilege to make the archival copy for the library.²⁹⁰ This argument derives from cases such as *Princeton University Press v. Michigan Document Services, Inc.*²⁹¹ and *Basic Books, Inc. v. Kinko's Graphics Corp.*,²⁹² where the courts ruled that commercial copy centers could not claim that their photocopying of coursepacks for use in college course constituted a non-commercial use.²⁹³ In these cases, however, the copy centers often made hundreds of copies of a single work in a manner designed to supplant the copyright holder's rights.²⁹⁴ Here, by contrast, Google made just one copy of any given work for a library.²⁹⁵ If 17 U.S.C. § 108(c) permitted a library to make three copies of a book for the purpose of replacing a copy that was damaged, deteriorating

²⁸⁶ *Id.*

²⁸⁷ Settlement Agreement, *supra* note 76, § 3.5(a)(i).

²⁸⁸ *Authors Guild* Second Amended Complaint, *supra* note 257, at 2–3, 16.

²⁸⁹ *See id.* at 16.

²⁹⁰ *See* Anandashankar Mazumdar, *Publishers: Value of Book Search Project Shows That Scanning Is Not Fair Use*, 71 Pat. Trademark & Copyright J. (BNA) 94 (Nov. 25, 2005).

²⁹¹ 99 F.3d 1381 (6th Cir. 1996).

²⁹² 758 F. Supp. 1522 (S.D.N.Y. 1991).

²⁹³ *Princeton*, 99 F.3d at 1383; *Basic Books*, 758 F. Supp. at 1547.

²⁹⁴ *Princeton*, 99 F.3d at 1384; *Basic Books*, 758 F. Supp. at 1526.

²⁹⁵ *Authors Guild* Second Amended Complaint, *supra* note 257, at 16.

lost, or stolen, surely it could retain a preservation specialist to make those copies for it.²⁹⁶

Of course, if a library had made an unlawful use of the copies it received from Google, then Google obviously could not have relied upon the library's assertion of fair use. For example, had a library made the full text of in-copyright works available online to the general public, Google's fair use defense would have evaporated.

In any event, as a practical matter, if the library copies had become a focus of the litigation, it is unlikely that a court would have found Google's index copy to be a fair use, but the library copies to be infringing.²⁹⁷ Ultimately, the library copies were ancillary to the index copy; Google made the library copies as consideration for obtaining access to the book for the purpose of making the index copy.²⁹⁸ Thus, the core issue was the legality of the index copy, not the library copies.²⁹⁹

6. *International Dimensions of the Original Library Project*

Fair use under the United States Copyright Act is generally broader and more flexible than the copyright exceptions in other countries, including fair dealing in the British Commonwealth countries.³⁰⁰ Thus, the scanning of a library of books might

²⁹⁶ See 17 U.S.C. § 108(a), (c) (2006).

²⁹⁷ See *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 818–19, 822 (9th Cir. 2003) (holding that the indexing of digital photographic images on Plaintiff's website by Defendant's search engine: 1) "improvid[ed] access to information on the internet"; 2) was transformative in nature; and 3) constituted fair use).

²⁹⁸ See, e.g., Press Release, Stanford University, Stanford and Google to Make Library Books Available Online (Dec. 14, 2004) (on file with The John Marshall Review of Intellectual Property Law), <http://www.stanford.edu/dept/news/pr/2004/pr-google-011205.html> ("Google is also working with several other major research libraries to digitally scan their collections and over time will integrate this content into the Google index."); Press Release, University of Michigan, Google/U-M Project Opens the Way to Universal Access to Information (Dec. 14, 2004) (on file with The John Marshall Review of Intellectual Property Law), <http://www.umich.edu/news/?Releases/2004/Dec04/library/index> ("The University Library will receive and own a high quality digital copy of the materials digitized by Google.").

²⁹⁹ See *Authors Guild* Second Amended Complaint, *supra* note 257, at 2–3. The rightsholders did not sue the libraries. See *id.* at 1. Had the court found Google liable for copyright infringement, the rightsholders might have pursued secondary infringement actions against libraries that provided Google with in-copyright books for scanning. Presumably the focus of such an action would have been an injunction on the use of the library copies. See 17 U.S.C. § 502(a) ("Any court having jurisdiction of a civil action arising under this title may . . . grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright."). Such a remedy would have been available even with respect to the public universities, notwithstanding the sovereign immunity doctrine. See 17 U.S.C. § 511(a); see also *Kimel v. Fla. Bd. of Regents*, 528 U.S. 62, 66–67 (2000) (holding that the Florida Board of Regents and an Alabama state university were entitled to sovereign immunity). Although sovereign immunity would shelter the public universities from damages liability, the owners could still have sought injunctive relief against the universities' officers and librarians. See *Ex parte Young*, 209 U.S. 123, 159–60 (1908) (holding that injunctive relief against a state is possible where the plaintiff named individual officials as party defendants rather than the state itself).

³⁰⁰ See Thomas F. Cotter, *Fair Use and Copyright Overenforcement*, 93 IOWA L. REV. 1271, 1313 (2008) (noting that countries within the British Commonwealth apply the less expansive, bright-line approach of "fair dealing").

not be permitted under the copyright laws of most other countries.³⁰¹ However, copyright law is territorial; that is, one infringes the copyright laws of a particular country only with respect to acts of infringement that occurred in that country.³⁰² Since Google scanned in-copyright books just in the United States, the only relevant law with respect to the scanning is United States copyright law.³⁰³ (Google entered into agreements with libraries around the world, including the Oxford University Library and University Complutense of Madrid, to scan public domain books.)

Nonetheless, the search results would have been viewable in other countries.³⁰⁴ This meant that Google's distribution of a few sentences from a book to a user in another country would be analyzed under that country's copyright laws.³⁰⁵ While the copyright laws of most countries might not be so generous as to allow the reproduction of an entire book, almost all copyright laws do permit short quotations.³⁰⁶ These exceptions for quotations should have been sufficient to protect Google's transmission of Library Project search results to users.³⁰⁷ Nonetheless, in June 2006, the French publisher Martiniere sued Google for the display of the

³⁰¹ See, e.g., Copyright, Designs and Patents Act 1988, c. 48, ch. 3, § 29 (Eng.). The "Research and private study" section explains:

Copying by a person other than the researcher or student himself is not fair dealing if . . . the person doing the copying knows or has reason to believe that it will result in copies of substantially the same material being provided to more than one person at substantially the same time and for substantially the same purpose.

Id.

³⁰² See *Quality King Distribs., Inc. v. L'Anza Research Int'l, Inc.*, 523 U.S. 135, 154 (1998) (Ginsburg, J., concurring) (indicating that copyright protection is not available for acts of infringement committed abroad); *Subafilms, Ltd. v. MGM-Pathe Commc'ns Co.*, 24 F.3d 1088, 1095 (9th Cir. 1994) (en banc) ("[T]he United States' copyright laws have no application to extraterritorial infringement . . .") (citing 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 12.04[A][3][b] (1994)).

³⁰³ See *Equal Employment Opportunity Comm'n v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991) ("It is a longstanding principle of American law 'that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.'" (citing *Foley Bros. v. Filardo*, 336 U.S. 281, 285 (1949))).

³⁰⁴ See *Am. Civil Liberties Union v. Reno*, 929 F. Supp. 824, 844 (E.D. Pa. 1996) (noting that once an "[internet service] provider posts content on the Internet, it is available to all other Internet users worldwide").

³⁰⁵ See *Murray v. British Broad. Corp.*, 81 F.3d 287, 290 (2d Cir. 1996) (noting the "national treatment" principle set out in Article V, paragraph 2 of the Berne Convention mandates "that the applicable law be the copyright law of the country in which the infringement occurred"). Google arguably is enabling a copy of the sentences to be made in the random access memory of the user's computer. See Dr. Adolf Dietz, *Germany*, in 2-GER INT'L COPYRIGHT L. AND PRAC., § 8[1][b]i (Paul Edward Geller ed., 2009) (analyzing section 16 of the Copyright Act of Germany and indicating that the act of loading a program into a computer memory may be reproduction). Thus, the lawfulness of this copy must be examined under the copyright laws of the user's country. See *Murray*, 81 F.3d at 290.

³⁰⁶ See, e.g., Copyright Act, 1968, ch. 40, § 5 (Austl.) (allowing copying of a literary work based on a percentage of the original as a fair dealing); Copyright Act, ch. C-42, § 29 (1985) (Can.) ("Fair dealing for the purpose of research or private study does not infringe copyright.").

³⁰⁷ See, e.g., Copyright Act, 1968, ch. 40, § 5 (Austl.) (stating that "10% of the number of pages in the edition" or "if the work . . . is divided into chapters—a single chapter" is a "reasonable portion" of copied text and will be a fair dealing).

snippets in France.³⁰⁸ Martiniere argued that the display of the snippets infringed its right in the integrity of its books.³⁰⁹ The right of integrity is a Continental form of “moral rights” in works that generally does not exist under the United States Copyright Act.³¹⁰

C. How Would the Court Have Ruled?

Had the court reached the merits of the fair use defense, Google certainly had strong arguments.³¹¹ Society would have benefited significantly from a search index that included the full text of a large percentage of all published books.³¹² Such a comprehensive index could have been compiled only without obtaining the permission of all the rightsholders; the transaction costs of obtaining all the permissions would have been so large as to render the project an economic impossibility.³¹³ At the same time, compiling such an index without obtaining the rightsholders’ permission would not have hurt the owners in any discernable way, provided that the search results display only snippets of text.³¹⁴ It would not have diminished the market for the books, nor would it have prevented licensed digitization projects that provide users with more text for a narrower range of books.³¹⁵ Google further reduced the possibility of harm by permitting rightsholders to opt-out of the Library Project altogether, or to opt-in to the Partner Program.³¹⁶ Although the Library Project involved a significant amount of copying, search engines routinely crawled the World Wide Web, caching vast quantities of web pages;

³⁰⁸ Lawrence J. Speer, *Foreign Laws/Copyrights: French Publisher Sues Google, Alleges Book Indexing Violates Copyrights*, 72 Pat. Trademark & Copyright J. (BNA) 197 (June 16, 2006).

³⁰⁹ See *id.* In December 2009, a court in Paris ruled that Google’s display of snippets in France infringed copyright. Tribunal de grande instance [T.G.I.] [ordinary court of original jurisdiction] Nice, Dec. 18, 2009, Editions du Seuil v. Google Inc., No. RG 09/00540, slip op. at 21, http://www.stm-assoc.org/2010_01_04_Editions_du_Seuil_et_al_v_Google_Paris_Court_of_First_Instance18_Dec_09EN1.doc. The court ordered Google to pay Martiniere 300,000 euros in damages, and imposed a 10,000 euro-a-day fine until Google stopped displaying the Martiniere snippets in France. *Id.* at 3, 20–21.

³¹⁰ See Carter v. Helmsley-Spear, Inc., 71 F.3d 77, 81 (2d Cir. 1995); see also 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 8D.01 (2009) (discussing moral rights generally).

³¹¹ See generally Kate M. Manuel, *The Google Library Project: Is Digitization for Purposes of Online Indexing Fair Use Under Copyright Law?*, CONG. RES. SERVICE, at 5–9 (2009), available at <http://openers.com/document/R40194/> (analyzing arguments for each side under the four fair use factors).

³¹² See Michael Warnecke, *Foreign Laws/Copyrights: Google’s Legal Stance on U.S. Book Search May Have Less Support Under European Law*, 71 Pat. Trademark & Copyright J. (BNA) 206 (Dec. 23, 2005).

³¹³ See Pamela Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537, 2614 (2009).

³¹⁴ See Singleton, *Gutenberg Meets Google*, *supra* note 14, at 5; Cf. Michael Warnecke, *Copyrights/Fair Use: Google’s Search of Library Shelves Splits Copyright Law Experts on Fair Use*, 70 Pat. Trademark & Copyright J. (BNA) 707 (Oct. 28, 2005) (noting that copyright owners would not be harmed, but stood to benefit by the greater demand for their works that would be more searchable).

³¹⁵ Band, *Both Sides of the Story*, *supra* note 14, at 9.

³¹⁶ See Google Books Removal Information, *supra* note 79.

and the *Arriba Soft* and *Perfect 10* court treated search engine copying and display as a fair use.³¹⁷

On the other hand, the Library Project involved an unprecedented amount of copying of books.³¹⁸ Given the scale of the copying of analog material, the outcome of the case was far from certain.³¹⁹ And given the stakes involved, the side that lost in the district court was likely to appeal the decision to the Second Circuit, and the loser there was likely to request Supreme Court review. The case could easily have marched up and down the federal courts for years without resolution.

IV. THE ORIGINAL SETTLEMENT

Because of the uncertainty of the outcome of the litigation, it is not that surprising that the parties reached a settlement on October 28, 2008—three years after the filing of the complaints.³²⁰ What surprised most observers was the settlement's sweeping nature.³²¹ While the initial Library Project involved Google's creation of a search index that would display at most three snippets per book, the settlement, if approved, would allow Google to deliver to users the full text of millions of books.³²² The original project sparked the opposition of publishers and authors, but the proposed settlement, precisely because of its breadth, has generated concern among a cross section of academics, privacy advocates, libraries, and even the Antitrust Division of the Department of Justice.³²³ Because the litigation is a class action, the settlement requires approval by the presiding judge.³²⁴ In response to objections raised by rightsholders and the Department of Justice, the parties negotiated an amended settlement, discussed in Part VI. This amended settlement requires approval by the presiding judge.³²⁵

³¹⁷ *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701, 733 (9th Cir. 2007); *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 818–19, 822 (9th Cir. 2003).

³¹⁸ Singleton, *Gutenberg Meets Google*, *supra* note 14, at 3 (estimating that the Library Program started with 25 to 30 million books across the five libraries).

³¹⁹ See Manuel, *supra* note 311, at 4–5 (suggesting the impossibility of predicting the outcome of court decisions in the Google case).

³²⁰ See Settlement Agreement, *supra* note 76, at 134.

³²¹ Glenn G. Lammi, *Book Search Suit Settlement Merits Broader Public Attention*, COUNSEL'S ADVISORY, Apr. 10, 2009.

³²² See Manuel, *supra* note 311, at 1, 9.

³²³ See Felicia R. Lee, *Questions and Praise for Google Web Library*, N.Y. TIMES, Dec. 18, 2004, at B9.

³²⁴ FED. R. CIV. P. 23(e). The judge at the commencement of the litigation was the Honorable John Sprizzo, who passed away shortly after announcement of the settlement. Settlement Agreement, *supra* note 76, at Attach. M. The current presiding judge is the Honorable Denny Chin, who sentenced convicted fraudster Bernard Madoff to 150 years in prison. *United States v. Madoff*, No. 09 CR 213, 2009 U.S. Dist. Lexis 61593, at *1, *5 (S.D.N.Y. Apr. 20, 2009). President Obama nominated Judge Chin to the United States Court of Appeals for the Second Circuit. Benjamin Weiser, *Madoff's Sentencing Judge to be Appellate Court Choice*, N.Y. TIMES, Sept. 10, 2009, at A37.

³²⁵ The court cannot modify the settlement; it can either approve it or reject it. See FED. R. CIV. P. 23(e). To be sure, the court can reject the settlement, but indicate what modifications would be necessary to gain its approval. See Alex Pham, *Agency Balks at Google Deal: A Settlement with Publishers and Authors on Digital Books Raises Antitrust and Copyright Issues*, the U.S. Says, L.A. TIMES, Sept. 19, 2009, at B2. The parties then would decide whether to appeal the rejection, accept the modifications, or continue to litigate the case. If the parties decide to accept the modifications, it

A. Overview of the Settlement

The settlement is extremely complex, spanning more than 200 pages including the appendices and attachments.³²⁶ The settlement creates a mechanism for Google to continue scanning the full text of millions of books into its search index.³²⁷ The settlement also authorizes Google to display the full text of many of these books through a variety of services.³²⁸ In exchange, Google will pay license fees to rightsholders.³²⁹

The settlement:

- applies only to books published before January 5, 2009;³³⁰
- does not apply to periodicals;³³¹
- does not apply to books first published in the United States that were not registered with the Copyright Office;³³² and
- does not apply to books in the public domain because they are not protected by copyright.³³³

The settlement defines a book as a published or publicly distributed set of written or printed sheets of paper bound together in a hard copy.³³⁴ The settlement specifically excludes periodicals, personal papers (such as unpublished diaries or bundled letters), or works with more than a specified amount of musical notation and lyrics.³³⁵

The settlement contemplates three categories of books:

- In-copyright, commercially available (in essence, in print or available through a print-on-demand program)³³⁶
- In-copyright, not commercially available³³⁷
- Public domain³³⁸

The settlement establishes default rules for what Google can do with the two categories of in-copyright books—display uses (discussed below) are turned on for books that are out-of-print and are turned off for in print books.³³⁹ Google has complete freedom with respect to the public domain books since they are not subject

would be considered a new settlement, and all the procedures set forth in Rule 23(e), including notice to class members and a fairness hearing, would have to be followed once again. FED R. CIV. P. 23(e).

³²⁶ See generally Settlement Agreement, *supra* note 76 (discussing the proposed settlement agreement between the Authors Guild, Association of American Publishers, and Google).

³²⁷ See Manuel, *supra* note 311, at 3 n.22, 9.

³²⁸ Settlement Agreement, *supra* note 76, § 7.2(g)(ii)(1).

³²⁹ *Id.* § 2.1(a).

³³⁰ See Manuel, *supra* note 311, at 9.

³³¹ See Settlement Agreement, *supra* note 76, §§ 1.16, 2.1(a), 4.1(a)(v) (discussing only the sale or use of books).

³³² *Id.* § 1.16.

³³³ *Id.* §§ 1.16, 1.72.

³³⁴ *Id.* § 1.16.

³³⁵ *Id.* § 1.16.

³³⁶ *Id.* § 3.2(d)(i)(1). For sake of clarity, this article will refer to commercially available books as in-print books.

³³⁷ *Id.* § 3.2(d)(i). For sake of clarity, this article will refer to not commercially available books as out-of-print books.

³³⁸ *Id.* § 3.2(d)(i)(2).

³³⁹ *Id.* § 3.2(d)(ii).

to copyright.³⁴⁰ Google will display the full text of these books for free, as it does under the original Library Project.³⁴¹

Significantly, the settlement does not apply to books first published after January 5, 2009.³⁴² Additionally, rightsholders will have the ability to opt-out of the settlement altogether, to remove specific books from Google's servers, or to vary any of the default rules with respect to specific books.³⁴³ Thus, as a practical matter, the settlement probably will have limited applicability to in-copyright, in-print books; the rightsholders likely will closely manage their rights in these books rather than subject them to the settlement's general default rules.³⁴⁴

This means that the settlement primarily focuses upon the universe of in-copyright books that are out-of-print. Google estimates that approximately 70% of published books fall in this category, 20% of published books are in the public domain and outside of the settlement, and 10% are in-copyright and in-print. If Google ultimately scans 30 million books, an estimated 21 million will be in copyright and out-of-print; 3 million will be in copyright and in-print; and 6 million will be in the public domain.

B. Class Action Litigation and the Book Rights Registry

The litigation against Google took the form of a class action.³⁴⁵ A class action in essence is a legal fiction found in American civil procedure where a handful of class representatives bring an action on behalf of all members of a defined class.³⁴⁶ Typically, a few employees will bring an action on behalf of all similarly situated employees of the same employer, or a few purchasers of a product will bring an action on behalf of all other purchasers of the products.³⁴⁷ If the presiding judge decides to certify the class, then any settlement or judgment can be binding on all members of

³⁴⁰ Singleton, *Gutenberg Meets Google*, *supra* note 14, at 5.

³⁴¹ *Id.*; Settlement Agreement, *supra* note 76, § 1.116.

³⁴² Manuel, *supra* note 311, at 9.

³⁴³ *See* Settlement Agreement, *supra* note 76, § 3.5.

³⁴⁴ For example, the rightsholders might include these books in Google's Partner Program. *See id.* § 1.62 (stating that the program consists of copyright owners who have contracted with Google to include their works in a Google Book Search). The Partner Program already includes over 1.5 million books. *Google Books Settlement 2.0: Evaluating Access*, ELECTRONIC FRONTIER FOUND., Nov. 17, 2009, <http://www.eff.org/deeplinks/2009/08/google-book-search-settlement-access>.

³⁴⁵ Settlement Agreement, *supra* note 76, art. XII.

³⁴⁶ *See* FED. R. CIV. P. 23(a).

³⁴⁷ *See id.* (requiring the plaintiffs in the class to have typical claims and common questions of law).

the class.³⁴⁸ Under the Federal Rules of Civil Procedure, a court must review a class action settlement to ensure that it is “fair, reasonable, and adequate.”³⁴⁹

Initially, the Authors Guild sued Google on behalf of all owners of copyrights in literary works contained in the library of the University of Michigan, one of the libraries that made in-copyright books available to Google for scanning.³⁵⁰ The litigation currently involves two subclasses of plaintiffs—authors and publishers of books in which they own a United States copyright interest.³⁵¹ A United States copyright interest exists even in books never published in the United States if the book’s author is a citizen of a country that signed the Berne Convention.³⁵² Thus, many authors and publishers who are not United States citizens are considered plaintiffs in this lawsuit and will be bound by the settlement, unless they opt-out of it or the judge rejects it.³⁵³ The choices available to all class members are discussed below in greater detail.

The settlement of copyright class action litigation represents Google’s third attempt to solve the central problem facing any effort to digitize the millions of existing books still in copyright: the tremendous amount of time, transaction costs, and uncertainty relating to clearing such an overwhelming number of rights. As discussed above, the previous attempts involved the opt-out procedure and the assertion of the fair use in the course of copyright litigation.³⁵⁴ However, the class action settlement permits Google to offer far more extensive services with respect to books than either the opt-out procedure or the fair use privilege.

The settlement resolves the copyright claims against Google of all members of the publisher and author subclasses, including absent members.³⁵⁵ The settlement creates a Book Rights Registry (“Registry”) to manage the copyrights owned by class members for the books subject to the settlement, while also allowing Google to continue to use those books in certain specified ways and subject to certain

³⁴⁸ See FED. R. CIV. P. 23(e). Before certifying a class, a court must determine that: (1) the class is so large as to make individual suits impractical; (2) there are legal or factual claims in common; (3) the claims or defenses are typical of the plaintiffs or defendants; and (4) the representative parties will adequately protect the interests of the class. See FED. R. CIV. P. 23(a). In many cases, the party seeking certification must also show that (5) common issues between the class and the defendants will predominate the proceedings, as opposed to individual fact-specific conflicts between class members and the defendants and (6) the class action, instead of individual litigation, is a superior vehicle for resolution of the disputes at hand. See FED. R. CIV. P. 23(b)(3).

³⁴⁹ FED. R. CIV. P. 23(e)(2).

³⁵⁰ *Authors Guild Complaint*, *supra* note 4, ¶ 20.

³⁵¹ Manuel, *supra* note 311, at 2.

³⁵² This assumes the work has not entered into the public domain. See Copyright Term and the Public Domain in the United States, www.copyright.cornell.edu/training/Hirtle_Public_Domain.htm (last visited Nov. 21, 2009).

³⁵³ Foreign language books will compromise an estimated half of the books Google scans. Brian Lavoie, *Anatomy of Aggregate Collections: The Example of Google Print for Libraries*, <http://www.dlib.org/dlib/september05/lavoie/09lavoie.html> (last visited Nov. 21, 2009). Most of the foreign language books presumably have foreign rightsholders. Additionally, foreign (e.g., British) authors wrote a large share of the English language books. Accordingly, foreign rightsholders would constitute a substantial proportion of the rightsholders under the original settlement. As discussed in Part VI, the Amended Settlement Agreement excludes books published outside the United States, except for books published in the United Kingdom, Canada, and Australia.

³⁵⁴ See discussion *supra* Part II.B, III.B.

³⁵⁵ See Settlement Agreement, *supra* note 76, at 1.

limitations.³⁵⁶ The Registry's board will be divided equally between publishers and authors.³⁵⁷ Google will pay for the Registry's start-up costs.³⁵⁸

C. Territoriality

A country's copyright law applies only within that country's territory.³⁵⁹ This litigation concerns Google's infringement in the United States of United States copyrights. Therefore, the settlement resolves only this litigation concerning United States copyrights.³⁶⁰ And although the settlement through the class action mechanism applies to non-United States rightsholders, the settlement applies only to their United States copyrights.³⁶¹

Google will provide the expanded services permitted under the settlement just to users located in the United States.³⁶² Users outside of the United States will only have access to the current Library Project service, which displays three "snippets" consisting of a few sentences of text in response to each search query.³⁶³ Pending litigation in other countries concerning this service will continue.³⁶⁴

For example, a Canadian author who published a book in Canada in 2000 has a copyright in the book in Canada, the United States and every other country that signed the Berne Convention.³⁶⁵ He is a member of the class of plaintiffs in the United States litigation, and the settlement applies to his United States copyright in the book.³⁶⁶ Unless he opts-out of the settlement, Google will be able to make certain uses of the book in the United States, for which he will be compensated if he registers appropriately.³⁶⁷ Accordingly, the settlement does not affect any copyright claims he may have against Google in Canada for its past and future display of snippets to users in Canada.³⁶⁸

³⁵⁶ *Id.* art. VI.

³⁵⁷ *Id.* § 6.2(b).

³⁵⁸ *Id.* § 5.2. Google will pay \$34.5 million for the Registry's start-up costs and the notification of class members. *Id.* Google will pay a minimum of \$45 million to the Registry for distribution to rightsholders for scanning that occurred prior to May 5, 2009. *Id.* § 5.1(b). Google will also pay \$30 million in attorneys' fees to counsel for the Author Sub-Class (who represented the sub-class on a contingency basis) and \$15.5 million to the Association of American Publishers, primarily for its attorneys' fees. *Id.* § 5.5.

³⁵⁹ See *Foley Bros. v. Filardo*, 336 U.S. 281, 285 (1949) (citing *Blackmer v. United States*, 284 U.S. 421, 437 (1932)).

³⁶⁰ Jonathan Band, *The Google Settlement: The International Implications*, 3 COMPUTER L. REV. INT'L 72, 73 (June 2009), available at http://www.policybandwidth.com/doc/20090814_Articles_Band_CRiGoogle2.pdf [hereinafter Band, *International Implications*].

³⁶¹ *Id.*

³⁶² *Id.*

³⁶³ *Id.*

³⁶⁴ *Id.*; see also *supra* note **Error! Bookmark not defined.** and accompanying text.

³⁶⁵ Berne Convention for the Protection of Literary and Artistic Works, art. 3, Sept. 9, 1886, S. Treaty Doc. No. 99-27, 1161 U.N.T.S. 3, available at http://www.wipo.int/export/sites/www/treaties/en/ip/berne/pdf/trtdocs_wo001.pdf; 17 U.S.C. § 104(b)(1)–(2) (2006) (incorporating by reference international coverage under the Berne Convention subsequent to the United States' November 16, 1988 accession and March 1, 1989 implementation to the treaty).

³⁶⁶ See FED. R. CIV. P. 23(c)(3); *Hansbury v. Lee*, 311 U.S. 32, 42–43 (1940).

³⁶⁷ See FED. R. CIV. P. 23(e)(4); Settlement Agreement, *supra* note 76, § 2.1(a)–(b).

³⁶⁸ Band, *International Implications*, *supra* note 360, at 4.

In other words, the settlement contemplates Google providing different services to users in the United States from foreign users.³⁶⁹ Google has not disclosed what technological means it will employ to exclude users outside the United States.³⁷⁰ Nonetheless, it is safe to assume that some foreign users will succeed in circumventing this protection. Continuing with our example, the Canadian author could file a lawsuit against Google in Canada for the United States directed uses of his book that some French users have obtained by circumvention.³⁷¹ Google's liability would likely turn on whether the Canadian court concludes that Google took adequate measures to prevent Canadian users from accessing the United States directed services.³⁷²

D. Google's Services

The settlement allows for Google to offer three primary services to users in the United States:

- previews;³⁷³
- consumer purchases;³⁷⁴ and
- institutional subscriptions.³⁷⁵

The settlement establishes “default rules” with respect to these services, which will apply unless the rightsholder elects to vary the rules with respect to a particular title.³⁷⁶ Different default rules apply to in-print and out-of-print books.³⁷⁷ For out-of-print books, the default rule is that Google can make displays of the book available in all three services.³⁷⁸ For in-print books, the default rule is that Google cannot display any of a book's text available in any of the three services.³⁷⁹

Google will make the initial determination of whether a book is in- or out-of-print by consulting with existing databases.³⁸⁰ The settlement sets forth a procedure for the rightsholder or the Registry to challenge Google's classification.³⁸¹ Similarly, Google will determine whether a book is in the public domain, subject to a challenge by the rightsholder or the Registry.³⁸² The settlement provides Google with a safe harbor for erroneous initial classifications.³⁸³

³⁶⁹ *Id.*

³⁷⁰ *See generally* Settlement Agreement, *supra* note 76 (failing to discuss technological means for distinguishing between U.S.-based and foreign-based users).

³⁷¹ Band, *International Implications*, *supra* note 360, at 3.

³⁷² *Id.*

³⁷³ *See* Settlement Agreement, *supra* note 76, § 4.3 (outlining permissible preview uses).

³⁷⁴ *See id.* § 4.2 (outlining permissible consumer purchase uses).

³⁷⁵ *See id.* § 4.1 (outlining permissible institutional subscription uses).

³⁷⁶ *Id.* § 4.3(b) (setting forth the default options for preview uses).

³⁷⁷ *Id.* § 3.2.

³⁷⁸ *See id.* § 3.3.

³⁷⁹ *See id.* § 3.4.

³⁸⁰ *Id.* § 3.2(d)(i).

³⁸¹ *Id.* § 3.2(e)(i).

³⁸² *Id.* § 3.2(e)(ii).

³⁸³ *Id.* § 3.5(d)(v).

The settlement recognizes that a given book may contain a work whose rightsholder is different from the holder of the copyright in the book.³⁸⁴ The settlement allows the rightsholder of such an “insert” exercise her rights independently from the rightsholder of the book.³⁸⁵ These inserts include: (1) text such as forewords, afterwords, essays, poems, short stories, letters, and song lyrics; (2) illustrations in children’s books; (3) musical notation; and (4) tables, charts, and graphs.³⁸⁶ Inserts do not include photographs, illustrations (other than in children’s books), maps or paintings.³⁸⁷

The rightsholder of an insert contained in an in-copyright, out-of-print book can choose to exclude displays of the insert, even if the rightsholder of the book itself permits Google to display the rest of the book under the default rules.³⁸⁸ Similarly, the rightsholder of an insert contained in a government work or a public domain book may request Google to exclude the insert when it displays the rest of the book.³⁸⁹ However, unlike a book’s rightsholder, an insert’s rightsholder cannot insist that the insert be removed altogether from the Google Library Project.³⁹⁰ Thus, so long as a book’s rightsholder does not remove the book, all inserts within the book will be searchable, even if their rightsholders exclude them from any displays.³⁹¹

1. *Previews*

Under the Preview service, all users in the United States will have the ability to search Google’s entire search database for digitized books responsive to their queries for free.³⁹² For an out-of-print book, the standard default rule is that Google may display up to 20% of the book’s text in response to a particular search query.³⁹³ However, for different categories of books (*e.g.*, fiction vs. non-fiction), Google may display a different number of pages per response.³⁹⁴

For most non-fiction works, Google generally may display no more than five adjacent pages at a time.³⁹⁵ Thus, when a user lands on a given page from a search, the user can see four pages adjacent to that page.³⁹⁶ The user can then ask to see five

³⁸⁴ *See id.* § 1.72.

³⁸⁵ *Id.* § 3.5(b)(i) (identifying that both rightsholders in the entire book and rightsholders in the insert have independent rights to request exclusion of their work from display uses).

³⁸⁶ *Id.* § 1.72.

³⁸⁷ *Id.* If the insert is a work first published in the United States, it must be “covered” by a copyright registration. As discussed in Part VI, the Amended Settlement Agreement clarified the meaning of this term.

³⁸⁸ *Id.* § 3.5(b)(i).

³⁸⁹ *Id.* § 3.5(b)(vii).

³⁹⁰ *See id.* § 3.5(b)(i)(1).

³⁹¹ *See id.* § 3.5(b)(i).

³⁹² *Id.* § 4.3(a).

³⁹³ *See id.* § 3.2(d)(ii) (stating that out-of-print books will be considered display books); *id.* § 3.3 (allowing display books to be used in previews if not specifically excluded by the rights holder); *id.* § 4.3(b)(i)(1) (setting the default preview for display books at 20% of the total book).

³⁹⁴ *See id.* § 4.3(b)(i)(1) (distinguishing works of fiction and setting out special rules for different categories of books).

³⁹⁵ *Id.*

³⁹⁶ *Id.*

other adjacent pages where the search term appears again.³⁹⁷ However, Google must block the two pages before and after any five-page display.³⁹⁸

In contrast, for works of fiction, in any given response, Google may display 5% of the book or fifteen adjacent pages, whichever is less.³⁹⁹ Google must also block the final 5%, or at least the final fifteen pages.⁴⁰⁰ No display is allowed of anthologies of drama and fiction by multiple authors, or collections of poetry or short stories.⁴⁰¹ And for dictionaries, drug reference guides, encyclopedias, price/buyer guides, quotation books, test preparation guides, and thesauri, Google will provide only a “fixed preview”—it will display the same pages regardless of the user query, up to 10% of the book.⁴⁰²

For an in-print book, the default rule is that Google may not display any of the book’s text; it may display only bibliographic information and front material, such as the title page, the copyright page, the table of contents, and the index.⁴⁰³ Thus, under the settlement, the user can receive far more free access to out-of-print books than under the original Library Project: up to 20% of a book’s text as opposed to three snippets.⁴⁰⁴ But with respect to in-print books, the user will see less under the settlement—not even the three snippets.⁴⁰⁵

2. Consumer Purchase

Under the Consumer Purchase service, Google will allow consumers to purchase perpetual online access to the full text of a book.⁴⁰⁶ For out-of-print books, the default rule is that Google will be able to make the books available for consumer purchase.⁴⁰⁷ Google cannot make in-print books available for consumer purchase unless the copyright owner elects to “opt in” with respect to his or her book.⁴⁰⁸

Google initially will set the price algorithmically between \$1.99 and \$29.99 (with 80% of books below \$10).⁴⁰⁹ Google can change the price of a book in response to

³⁹⁷ *See id.*

³⁹⁸ *Id.*

³⁹⁹ *Id.*

⁴⁰⁰ *Id.*

⁴⁰¹ *Id.* § 4.3(b)(ii); *see generally id.* at Attach. F (“Preview Uses”).

⁴⁰² *Id.* § 4.3(b)(iii); *see generally id.* at Attach. F (“Preview Uses”).

⁴⁰³ *See id.* § 3.2(d)(ii) (stating that in-print books will be considered no display books); *id.* § 3.4(a) (allowing only non-display uses for no display books); *id.* § 1.91 (defining “non-display uses” as “uses that do not display Expression from Digital Copies of Books or Inserts to the public, [*e.g.*] display of bibliographic information, full-text indexing without display of Expression . . . , geographic indexing of Books, algorithmic listings of key terms for chapters of Books, and internal research and development using Digital Copies”).

⁴⁰⁴ *See id.* § 4.3(b)(i)(1).

⁴⁰⁵ *See id.* § 3.2(d)(ii) (stating that in-print books will be considered no display books); *id.* § 1.91.

⁴⁰⁶ *Id.* § 1.32 (“‘Consumer Purchase’ and ‘Consumer Purchases’ mean a service provided by Google that allows a user, for a fee, to access and view Online the full contents of a Display Book”); *id.* § 4.2 (outlining the terms for Consumer Purchase uses).

⁴⁰⁷ *See id.* § 3.2(d)(ii) (stating that out-of-print books will be considered display books); *id.* § 1.32 (defining consumer purchases to include display books).

⁴⁰⁸ *See* Google Books Tour, *supra* note 33.

⁴⁰⁹ *See* Settlement Agreement, *supra* note 76, § 4.2(c)(ii)(1).

sales data.⁴¹⁰ The copyright owner can direct Google to charge a different price for his or her book, including making the book available for free.⁴¹¹ A consumer will be able to print out up to 20 pages with one command; cut and paste up to four pages with one command; and make book annotations.⁴¹² A book annotation is user-generated text that is displayed on any Web page on which a page of a book appears.⁴¹³ The user can share his annotations with up to 25 other individuals who have purchased the book through this service and who have been designated by the user.⁴¹⁴

3. Institutional Subscriptions

Google will make available institutional subscriptions that will allow users within an institution to view the full text of all the books within the Institutional Subscription Database (“ISD”).⁴¹⁵ This database will include all the books in the in-copyright, out-of-print category.⁴¹⁶ This access will continue only for the duration of the subscription; access will not be perpetual, in contrast to when a user purchases access to an individual book, as described above. Google can also offer subscriptions to subsets of the ISD that represent discipline-based collections.⁴¹⁷

Through agreements with the subscribing institution, Google will limit access to ISD books to “appropriate individuals” within the institution.⁴¹⁸ For educational institutions, appropriate individuals include faculty, students, researchers, staff members, librarians, personnel, business invitees, and walk-in users from the general public.⁴¹⁹ For public libraries, appropriate individuals include library patrons and personnel.⁴²⁰

Each authorized user will be able to copy and paste up to four pages of a book in the ISD with a single command, but, with multiple commands, can copy and paste the entire book.⁴²¹ Each authorized user will be able to print up to twenty pages of a book in the ISD with a single print command, but, with multiple commands, can print out the entire book.⁴²² Google will place a watermark on printed pages with encrypted identifying information that identifies the authorized user that printed the

⁴¹⁰ *Id.* § 4.2(c)(ii)(2).

⁴¹¹ *Id.* § 4.2(b)(i)(1).

⁴¹² *Id.* § 4.2(a).

⁴¹³ *Id.* § 1.17.

⁴¹⁴ *Id.* § 3.10(c)(ii)(5)(d).

⁴¹⁵ *Id.* § 4.1(a)(v); *see generally id.* § 4.1 (outlining the rules and pricing for institutional subscriptions).

⁴¹⁶ *See id.* § 4.1(a)(v) (defining the institutional subscription database as incorporating “all Books available for Institutional Subscriptions pursuant to [the] Settlement Agreement”); *see also id.* § 3.5(b)(iii) (providing that any out-of-print book included in any service is also included in the Institutional Subscriptions service).

⁴¹⁷ *Id.* § 4.1(a)(v).

⁴¹⁸ *Id.* § 4.1(e).

⁴¹⁹ *Id.*

⁴²⁰ *Id.*

⁴²¹ *See id.* § 4.1(d).

⁴²² *See id.*

material.⁴²³ Each authorized user may also make annotations of books in the ISD.⁴²⁴ Instructors and students in an academic course can share annotations with each other and with students enrolled in the same course the subsequent year.⁴²⁵ Also, employees of the institutional subscriber can share annotations with other employees in connection with a discrete work project for the duration of the project.⁴²⁶ Authorized users can make books in the ISD available to other users authorized by that subscription through hyperlinks or similar technology for course use such as e-reserves and course management systems.⁴²⁷ Google will not prohibit any other uses of books in the ISD that fall within the Copyright Act's limitations and exceptions, e.g., fair use.⁴²⁸

a. Pricing of Institutional Subscriptions

A critical issue for academic libraries and other potential institutional subscribers is its price. As described below in more detail, Google and the Registry will jointly set the price of institutional subscriptions.⁴²⁹ If they cannot agree on a price structure, the settlement provides for a dispute resolution mechanism involving binding arbitration.⁴³⁰

The economic terms for the institutional subscriptions will be governed by two objectives: "(1) the realization of revenue at market rates for each Book and license on behalf of Rightsholders and (2) the realization of broad access to the Books by the public, including institutions of higher education."⁴³¹ Moreover, "Plaintiffs and Google view these two objectives as compatible, and agree that these objectives will help assure both long-term revenue to the rightsholders and accessibility of the Books to the public."⁴³² The Agreement states that Google and the Registry will also use the following parameters to determine the price of institutional subscriptions: the pricing of similar products and services available from third parties; the scope of the books available in the ISD; the quality of the scan; and the features offered as part of an Institutional Subscription.⁴³³

Pricing will be based on the number of full-time equivalent ("FTE") users.⁴³⁴ For higher education institutions, FTE means full-time equivalent students.⁴³⁵ The FTE pricing can vary across different categories of institutions.⁴³⁶ These categories include: (1) corporate; (2) higher education institutions (which may be sub-divided

⁴²³ *Id.*

⁴²⁴ *Id.*

⁴²⁵ *Id.* § 3.10(c)(ii)(5)(e).

⁴²⁶ *Id.*

⁴²⁷ *Id.* § 4.1(e).

⁴²⁸ *Id.*

⁴²⁹ *Id.* § 4.1(a)(vi)(4)(a).

⁴³⁰ *Id.*; see generally *id.* art. IX (outlining the dispute resolution mechanisms applicable throughout the entire agreement).

⁴³¹ *Id.* § 4.1(a)(i).

⁴³² *Id.*

⁴³³ *Id.* § 4.1(a)(ii).

⁴³⁴ *Id.* § 4.1(a)(iii).

⁴³⁵ *Id.*

⁴³⁶ *Id.* § 4.1(a)(iv).

based on the Carnegie Classifications for Institutions of Higher Education); (3) K-12; (4) government; and (5) public library.⁴³⁷ Only higher education institutions can have remote access without Registry approval (e.g., faculty can access the ISD from home and students from their dormitories).⁴³⁸

Google can charge a lower price for a discipline-based subset of the IDS.⁴³⁹ However, “[t]o provide an incentive for institutions to subscribe to the entire Institutional Subscription Database, Google shall design the pricing of the different versions of the Institutional Subscription such that the price for access to the entire Institutional Subscription Database will be less than the sum of the prices for access to the discipline-based collections.”⁴⁴⁰

Google will propose an initial pricing strategy consistent with the objectives outlined above that will include target retail prices for each class of institution for access to the entire ISD and the discipline-based collections, and proposed discounts for institutional consortia and early subscribers.⁴⁴¹ After Google submits the initial pricing strategy to the Registry, Google and the Registry will negotiate its terms for up to 180 days.⁴⁴² If Google and Registry do not reach agreement, the dispute will be submitted to binding arbitration.⁴⁴³

FTE-based prices in the initial pricing strategy period will be based on “then-current prices for comparable products and service, surveys of potential subscribers, and other methods for collecting data and market assessment.”⁴⁴⁴ Google will be responsible for collecting data comparing the target retail prices with the prices for comparable products and services, and will provide this data to the Registry.⁴⁴⁵ Presumably the arbitrators will rely on this data in the event of a dispute concerning the pricing strategy.

The initial pricing strategy is expected to be in effect for two to three years.⁴⁴⁶ Google and the Registry will agree on the duration of subsequent pricing strategies.⁴⁴⁷ Should Google provide other services to institutional subscribers for a fee, those services would fall within the settlement and the Registry would be entitled to a portion of the revenue if: (1) the preponderance of the value of service is realized through access to books through the institutional subscription; and (2) the service exploits access in a manner that could not be exploited by other entities.⁴⁴⁸

⁴³⁷ *Id.*

⁴³⁸ *See id.* (specifying within each of the remaining categories that remote access is not allowed without Registry approval).

⁴³⁹ *See id.* § 4.1(a)(v).

⁴⁴⁰ *Id.*

⁴⁴¹ *See id.* § 4.1(a)(vi)(1)(b).

⁴⁴² *Id.* § 4.1(a)(vi)(4)(a).

⁴⁴³ *Id.*; *see generally id.* art. IX (outlining the dispute resolution mechanisms applicable throughout the entire agreement).

⁴⁴⁴ *Id.* § 4.1(a)(vii).

⁴⁴⁵ *Id.*

⁴⁴⁶ *Id.* § 4.1(a)(vi)(3).

⁴⁴⁷ *Id.* § 4.1(a)(vi)(4)(b).

⁴⁴⁸ *Id.* § 4.1(a)(ix).

b. Pricing Review

Under the settlement, only Google and the Registry can submit disputes concerning the pricing of the institutional subscription to arbitration; the libraries have no recourse to the arbitrator.⁴⁴⁹ In response to concerns raised by libraries about the pricing of the institutional subscription, on May 20, 2009, Google and the University of Michigan (“Michigan”) agreed to a new procedure that would allow Michigan and the other libraries that provided Google with in-copyright books to request an arbitrator to review the pricing of the institutional subscription.⁴⁵⁰

The new “pricing review” procedure would occur after the price-setting process described in the settlement.⁴⁵¹ Sixty days after Google first offers an institutional subscription to the higher education market, and every two years thereafter, a partner library can initiate a review of the pricing of the institutional subscription to determine whether the price properly meets the objectives set forth in the settlement agreement.⁴⁵² Only one review can be conducted per two-year period, so if several partner libraries seek to review the price, they need to do so jointly.⁴⁵³ The pricing review will be conducted by “an independent, qualified third party” designated by the initiating library, subject to Google’s approval.⁴⁵⁴ Google will pay up to \$100,000 of the reviewer’s fees and costs for the first two reviews.⁴⁵⁵ Google must provide to the reviewer specified categories of information, some of which the reviewer cannot make directly available to the partner libraries.⁴⁵⁶ The reviewer will prepare a Pricing Review Report, which he or she will provide to Google and all partner libraries.⁴⁵⁷

⁴⁴⁹ See *id.* § 4.1(a).

⁴⁵⁰ See generally Amendment to Cooperative Agreement, Google, Inc.-University of Michigan, May 20, 2009, available at <http://www.lib.umich.edu/files/services/mdp/Amendment-to-Cooperative-Agreement.pdf> [hereinafter Amended Michigan Cooperative Agreement]. In many respects, Michigan has been Google’s primary partner in the Library Project. In 2004, it was the first library to sign an agreement with Google that allowed Google to scan books in the Michigan library for inclusion in Google’s search database. To date, Google has scanned more books from Michigan than any other library. On May 20, 2009, Google and the University of Michigan (Michigan) entered into an amendment that expanded the 2004 agreement. The new agreement addresses the provisions of the proposed settlement agreement between Google and the plaintiffs in the Google Book Search litigation. If the settlement is approved by the presiding judge, the Amendment will govern the relationship between Google and Michigan. Following the Amendment is an Attachment A, entitled “Collective and Certain Settlement Agreement Related Terms,” which sets forth provisions that will apply to all of Google’s partner libraries, not just Michigan. This Attachment A contains the new pricing review. On July 8, 2009, the University of Wisconsin-Madison and the University of Texas entered into similar expanded agreements with Google. See Amended Cooperative Agreement, Google, Inc.-University of Wisconsin, available at http://thepublicindex.org/docs/libraries/wisconsin_amendment.pdf; Amended Cooperative Agreement, Google, Inc.-University of Texas, available at http://thepublicindex.org/docs/libraries/texas_amendment.pdf.

⁴⁵¹ Settlement Agreement, *supra* note 76, § 4.1(a)(viii)(1).

⁴⁵² *Id.* § 4.1(a)(vi)(2)–(4).

⁴⁵³ See *id.* § 4.1(a)(vi)(3).

⁴⁵⁴ Amended Michigan Cooperative Agreement, *supra* note 450, at Attach. A ¶ 3(c)(1).

⁴⁵⁵ *Id.* If the partner libraries do not initiate a pricing review, Google will donate the fee it would have paid the reviewer to the National Federation for the Blind. *Id.*

⁴⁵⁶ *Id.* This information includes the number of institutions that have institutional subscriptions; a histogram showing the percentage of institutions that pay each price within a pricing category; and Google’s list price for each pricing category. *Id.*

⁴⁵⁷ *Id.*

Ninety days after receipt of the Pricing Review Report, any partner library can initiate an arbitration with Google.⁴⁵⁸ The arbitration will be subject to the dispute resolution procedures in the settlement agreement, meaning that the arbitrator's decision will be final and non-appealable.⁴⁵⁹ Additionally, "[a]ny such arbitration will be the exclusive mechanism to resolve disputes between Google and the Initiating Libraries with respect to whether Google is pricing the Reviewable Subscriptions in accordance with the objectives set forth in . . . the Settlement Agreement."⁴⁶⁰

If the arbitrator determines that the price is too high or that Google is not achieving the broad access required by the settlement, he or she can order Google to adjust the price.⁴⁶¹ The adjustment amount is limited to Google's net revenue (in essence, 37% of the subscription price).⁴⁶²

c. Discounts

Google can subsidize the purchase of institutional subscriptions by fully participating and cooperating libraries—categories explained below. The Amended Agreement with the University of Michigan requires Google to provide Michigan with a free institutional subscription for 25 years, assuming that Michigan meets certain conditions.⁴⁶³ These conditions include that Michigan makes its collection available to Google for scanning, and that its full-time equivalent ("FTE") student body not exceed 60,000.⁴⁶⁴ After the 25-year period, Google will provide Michigan with a discount of the institutional subscription price of one FTE for each 50 books Google scanned from Michigan's collection.⁴⁶⁵ Under this formula Michigan would receive a free institutional subscription for providing three million books to be scanned, a number that it has already exceeded.⁴⁶⁶ Thus, so long as it meets the conditions noted above, Michigan would receive a free institutional subscription.⁴⁶⁷ The Amended Agreement also requires Google to provide Michigan with a discount to subscriptions that it may offer in the future that contain works proffered by Michigan but not subject to the settlement.⁴⁶⁸

4. Other Services

The settlement contemplates two other services—the free public access service and the research corpus.

⁴⁵⁸ *Id.* § 3(c)(2).

⁴⁵⁹ *Id.*; see also Settlement Agreement, *supra* note 76, art. IX (describing arbitration procedures).

⁴⁶⁰ Amended Michigan Cooperative Agreement, *supra* note 450, at Attach. A, ¶ 3(c)(2).

⁴⁶¹ *Id.* § 3(c)(3).

⁴⁶² *Id.*

⁴⁶³ Amended Michigan Cooperative Agreement, *supra* note 450, ¶ 23(a) (to supplement the Michigan Cooperative Agreement as § 4.4.4(a)).

⁴⁶⁴ *Id.*

⁴⁶⁵ *Id.*

⁴⁶⁶ See *id.*

⁴⁶⁷ See *id.*

⁴⁶⁸ *Id.* ¶ 23(b) (to supplement the Michigan Cooperative Agreement as § 4.4.4(b)).

a. Free Public Access Service for Public Libraries and Universities

Google will provide free Public Access Service (“PAS”) to each public library and not-for-profit higher education institution that requests PAS.⁴⁶⁹ A user sitting at a PAS terminal will be able to view full text of all books in the Institutional Subscription Database.⁴⁷⁰ As noted above, this generally corresponds to books in the in-copyright, not commercially available category.⁴⁷¹ A user can print pages of material viewed on the PAS terminal for a “reasonable” per-page fee set by the Registry.⁴⁷² The user will not be able to copy and paste text or annotate books accessed through the PAS.

Google can provide free PAS to one terminal in each library building in a public library system.⁴⁷³ A public library is a library that (a) is accessible by the public; (b) is part of a not-for-profit or government-funded institution other than an institution of higher education under the Carnegie Classification; and (c) allows patrons to take books and other materials off the premises.⁴⁷⁴ The settlement does not treat any library primarily funded or managed by the federal government as a public library.⁴⁷⁵

For higher education institutions that do not qualify as Associate Colleges under the Carnegie Classification of Institutions of Higher Education, Google can provide free PAS to one terminal for every 10,000 full-time equivalent students.⁴⁷⁶ For higher education institutions that qualify as Associate Colleges under the Carnegie Classification of Institutions of Higher Education, Google can provide free PAS to one computer terminal per 4,000 full-time equivalent students.⁴⁷⁷

Google and the Registry can agree to expand the PAS service by making additional terminals available for free or an annual fee, but the settlement provides no further details on the terms for this expansion.⁴⁷⁸

b. Research Corpus

The settlement allows for the creation of two centers (in addition to Google) that would host the Research Corpus, the set of all digital copies made in connection with the Google Library Project.⁴⁷⁹ The libraries providing Google with in-copyright books to scan—what the settlement terms “fully participating” and “cooperating” libraries—will select the host sites.⁴⁸⁰ The host site could be a fully participating or cooperating library, or another institution.⁴⁸¹

⁴⁶⁹ Settlement Agreement, *supra* note 76, § 4.8(a)(i).

⁴⁷⁰ *Id.* §§ 1.115, 4.8(a)(i).

⁴⁷¹ *See id.* § 3.2(d)(i).

⁴⁷² *Id.* § 4.8(a)(ii).

⁴⁷³ *Id.* § 4.8(a)(i)(3).

⁴⁷⁴ *Id.* § 1.119.

⁴⁷⁵ *Id.*

⁴⁷⁶ *Id.* § 4.8(a)(i)(1).

⁴⁷⁷ *Id.* § 4.8(a)(i)(2).

⁴⁷⁸ *Id.* § 4.8(a)(iii).

⁴⁷⁹ *Id.* §§ 1.130, 7.2(d)(ii).

⁴⁸⁰ *Id.* § 7.2(d)(ii).

⁴⁸¹ *Id.* The host site must abide by the same security procedures as Google and the fully participating libraries. *Id.* § 8.1. These are discussed below. *See* discussion *infra* Part IV.E.1.c.

The host sites may provide on-site and remote access to qualified users to use the Research Corpus for non-consumptive research.⁴⁸² Qualified users must be affiliated with a fully participating or cooperating library, an accredited college or university, a not-for-profit research organization such as a museum, or a governmental agency.⁴⁸³ Additionally, an individual can become a qualified user by demonstrating to a fully participating or cooperating library that he has the necessary capability and resources to conduct non-consumptive research.⁴⁸⁴

The settlement defines non-consumptive research as research involving computational analysis on books, but not research where the researcher reads and displays substantial portions of a book to understand its intellectual content.⁴⁸⁵ Categories of non-consumptive research include: (1) image analysis and text extraction—computational analysis of the digitized image artifact to improve the image (e.g., de-skewing) or extracting textual or structural information from the image (e.g., OCR); (2) textual analysis and information extraction—automated techniques designed to extract information to understand or develop relationships among or within books (e.g., concordance development, collocation extraction, citation extraction, automated classification, entity extraction, and natural language processing); (3) linguistic analysis—research to understand language, linguistic use, semantics, and syntax as they evolve over time and across different genres; (4) automated translation—research on translation techniques; and (5) indexing and search—research on different techniques for indexing and search of textual content.⁴⁸⁶

The host site is responsible for oversight of the research performed on the Research Corpus, including ensuring that no person uses materials in the Corpus for purposes that involve reading portions of a book to understand its intellectual content.⁴⁸⁷ Qualified users may read material as reasonably necessary to perform non-consumptive research, or to explain, discuss, or verify research results.⁴⁸⁸

Direct, for-profit, commercial use of information extracted from books in the Research Corpus is prohibited.⁴⁸⁹ Qualified users may report the results of their non-consumptive research in scholarly publications, including scholarly publications sold to the academic community or the public.⁴⁹⁰ Commercial exploitation of algorithms developed when performing non-consumptive research is permitted.⁴⁹¹ Use of data extracted from a specific book to provide services that compete with services offered by the book's rightsholder are prohibited.⁴⁹²

Prior to engaging in research, a qualifying user must file with the host site a research agenda—a document that describes the project in sufficient detail to

⁴⁸² Settlement Agreement, *supra* note 76, § 7.2(d)(iii).

⁴⁸³ *Id.* § 1.121(a)–(c).

⁴⁸⁴ *Id.* § 1.121.

⁴⁸⁵ *Id.* § 1.90.

⁴⁸⁶ *Id.*

⁴⁸⁷ *Id.* § 7.2(d)(vi)(1).

⁴⁸⁸ *Id.* § 7.2(d)(vi)(2)–(3).

⁴⁸⁹ *Id.* § 7.2(d)(viii).

⁴⁹⁰ *Id.* § 7.2(d)(vii)–(viii).

⁴⁹¹ *Id.* § 7.2(d)(x).

⁴⁹² *Id.* § 7.2(d)(ix).

demonstrate that it is non-consumptive research.⁴⁹³ Before permitting the qualified researcher to perform the research, the host site will review the research agenda to ensure that the research described is non-consumptive.⁴⁹⁴

A third party selected by the Registry will perform regular audits on the host sites to ensure that it complies with the terms of the settlement.⁴⁹⁵ The copyright owner of a commercially available book may request that the book be withdrawn from the Research Corpus.⁴⁹⁶

5. *Users With Print Disabilities*

Google must “use commercially reasonable efforts” to accommodate users with print disabilities.⁴⁹⁷ The settlement defines a print disability as any condition in which a user is unable to read or use standard printed material due to blindness, visual disability, physical limitations, organic dysfunction, or dyslexia.⁴⁹⁸ The accommodations include screen enlargement, voice output, and refreshable Braille displays.⁴⁹⁹ The objective is to accommodate “users with Print Disabilities so that such users have a substantially similar user experience as users without Print Disabilities.”⁵⁰⁰ Google must make these accommodations available with respect to the Preview, Consumer Purchase, Institutional Subscription, and Free Public Access services at no extra charge to the users.⁵⁰¹ If within five years of the effective date of the settlement Google fails to offer these accommodated services, the fully participating and cooperating libraries can require Google to work with a third party to provide these services.⁵⁰²

Under Attachment A to the Amended Agreement with the University of Michigan, Google will provide the public with an accessible, searchable, online database listing which of the works obtained from libraries are accessible to people who have print disabilities.⁵⁰³ Google agrees to make public domain books available to people with print disabilities in the same manner as books under the settlement.⁵⁰⁴

E. Library Types

Under the original Google Library Project, Google had numerous partner libraries that provided it with in-copyright and public domain books to scan. In

⁴⁹³ *Id.* §§ 1.129, 7.2(d)(xi)(2).

⁴⁹⁴ *Id.* § 7.2(d)(xi)(3).

⁴⁹⁵ *Id.* § 7.2(d)(xi)(6).

⁴⁹⁶ *Id.* § 7.2(d)(iv).

⁴⁹⁷ *Id.* § 7.2(g)(ii)(1).

⁴⁹⁸ *Id.* § 1.112.

⁴⁹⁹ *Id.* § 7.2(g)(i).

⁵⁰⁰ *Id.* § 3.3(d).

⁵⁰¹ *Id.* § 7.2(g)(i); *see also id.* § 1.1 (“Institutional Subscriptions, Consumer Purchase and the Public Access are the only Access Uses Authorized.”); *id.* § 4.3(a) (“Google may offer a free Preview Use to allow users to sample a Book prior to making a purchase decision.”).

⁵⁰² *Id.* § 7.2(g)(ii)(2)(a).

⁵⁰³ Amended Michigan Cooperative Agreement, *supra* note 450, at Attach. A ¶ 6(c).

⁵⁰⁴ *Id.* ¶ 28 (to supplement the Michigan Cooperative Agreement as § 4.5.4).

exchange, Google provided these partner libraries with digital copies of the books.⁵⁰⁵ The settlement creates four categories of partner libraries with different rights and responsibilities: fully participating libraries, cooperating libraries, public domain libraries, and other libraries.⁵⁰⁶

1. Fully Participating Libraries

To become a fully participating library, a library must sign an agreement with the Registry.⁵⁰⁷ The agreement releases the library from any liability for copyright infringement for participating in the Google Library Project, and for any activity that falls within the scope of the agreement.⁵⁰⁸

A fully participating library will provide Google with in-copyright books to scan into its database, and will receive in return a digital copy of each book it provides.⁵⁰⁹ The set of digital copies Google provides the library is the library digital copy ("LDC").⁵¹⁰ Google can provide a fully participating library with digital copies of books in that library's collection that Google did not obtain from that library (i.e., Google obtained the book from another fully participating library).⁵¹¹ For a library with more than 900,000 books in its collection, Google can provide it with digital copies from other libraries only if Google scans more than 300,000 books from that library's collection.⁵¹² For a library with less than 900,000 books in its collection, Google can provide LDCs from other libraries only if it scans more than 30% of the library's collection.⁵¹³ (For purposes of this calculation, only in-copyright books count.) However, Google can provide the library only with digital copies of books contained in that library's collection.⁵¹⁴

For institutional consortia, different minimum levels of participation apply before a library can receive digital copies made from another library's collection.⁵¹⁵ Google must have scanned at least 10,000 books from that library's collection.⁵¹⁶

⁵⁰⁵ See Settlement Agreement, *supra* note 76, § 7.2(a)(i). Google had contracts with each of its partner libraries specifying the obligations of each party. *See id.*

⁵⁰⁶ *See id.* § 1.101.

⁵⁰⁷ *See id.* § 7.1; e.g., *id.* at Attach. B1.

⁵⁰⁸ *See id.* § 10.1(b). Michigan, the University of California, the University of Wisconsin-Madison, the University of Texas, and Stanford University will be fully participating libraries. *Id.* at Attach. G. Other libraries partnering with Google under the original Library Project likely will also become fully participating libraries under the settlement. Harvard provided Google with access to in-copyright under the original Library Project, but has decided not to provide Google with in-copyright books under the settlement. *See id.* It appears that Harvard believes that the obligations placed on Fully Participating Libraries, discussed below, are too stringent to justify its continued participation. *See generally id.* at Attach. B1 (laying out the requirements and obligations of member libraries). However, Harvard may continue to provide Google with access to public domain books.

⁵⁰⁹ *Id.* § 1.78.

⁵¹⁰ *Id.*

⁵¹¹ *Id.* § 7.2(a)(ii).

⁵¹² *Id.*

⁵¹³ *Id.*

⁵¹⁴ *Id.*

⁵¹⁵ *Id.* § 7.2(a)(iii).

⁵¹⁶ *Id.*

Additionally, if the consortium has more than 2,000,000 books, Google must have scanned more than 650,000 of those books; and if the consortium has less than 2,000,000 books, Google must have scanned more than 30% of the books in the consortium's collection.⁵¹⁷

a. Permitted Uses of the LDC

The settlement specifies in detail what a fully participating library can and cannot do with its LDC. The library may reproduce and make technical adaptations of the LDC “as reasonably necessary to preserve, maintain, manage, and keep technologically current its LDC.”⁵¹⁸ The library may use its LDC to create a print replacement copy of a book in its collection that is damaged, destroyed, deteriorating, lost or stolen, or if the format in which the book is stored has become obsolete, provided that the library has determined that an unused replacement copy cannot be obtained at a fair price.⁵¹⁹ “[A]n unused replacement for a copy in print format means an unused copy that is offered for sale in print format . . .”⁵²⁰

The library may provide special access to books in the LDC to a user with print disabilities, i.e., “a user . . . unable to read or use standard printed material due to blindness, visual disability, physical limitations, organic dysfunction, or dyslexia.”⁵²¹ These provisions concerning users with print disabilities are different from those discussed above with respect to the Google services. Those provisions obligate Google to accommodate print disabled individuals to enable them to use the services made available by Google. In contrast, these more stringent provisions concern the accommodations fully participating libraries can provide print disabled individuals to access the LDC.⁵²² Fully participating libraries can provide screen enlargement, voice output, or refreshable Braille displays.⁵²³ This special access cannot be provided in a way that would make a copy accessible to anyone other than the disabled user, or that would make the special access available longer than necessary to facilitate the special access.⁵²⁴

This special access is available only to a person who has provided written documentation that a “competent authority” has certified that the user has a print disability.⁵²⁵ A competent authority is a person (1) employed in a professional occupation qualified to diagnose print disabilities under federal law and regulations that govern the National Library Service for the Blind and Physically Handicapped; or (2) licensed under applicable state law to diagnose the existence of a print disability under standard and generally accepted methods of clinical evaluation.⁵²⁶ Additionally, a professional librarian may certify a user's claimed print disability

⁵¹⁷ *Id.*

⁵¹⁸ *Id.* § 7.2(b)(i).

⁵¹⁹ *Id.* § 7.2(b)(iii)(1).

⁵²⁰ *Id.*

⁵²¹ *Id.* §§ 1.112, 7.2(b)(ii)(1).

⁵²² *See id.* § 7.2(b)(ii).

⁵²³ *See id.* § 7.2(b)(ii)(1).

⁵²⁴ *Id.*

⁵²⁵ *Id.*

⁵²⁶ *Id.* § 1.29.

only if the user affirms in writing that no competent authority is available, or if the user has a print disability that is readily apparent upon physical observation of the user.⁵²⁷ The user must also provide written documentation that he or she will not reproduce or distribute books in a manner prohibited by the Copyright Act.⁵²⁸

The library may develop its own finding tools that allow its users to identify pertinent material within its LDC.⁵²⁹ These tools may permit users to read or view only snippets of text from the LDC.⁵³⁰ The library may allow users to conduct “non-consumptive research” on its LDC, provided that the library agrees to the terms of a host site of a Research Corpus.⁵³¹

The library of a higher education institution may permit faculty and research staff to read, print, download, or otherwise use five pages of any book in its LDC that is not commercially available for personal scholarly use and classroom use that is limited to students in the class for the term in which the class is offered.⁵³² The library must keep track of such uses and report them to the Registry in the course of the audits required under the security provisions discussed below.⁵³³ At any time that an institutional subscription is not being offered, additional uses of books that are not commercially available may be authorized jointly by the university librarian and the university general counsel.⁵³⁴ However, such uses cannot include sale of access, interlibrary loan, e-reserves, course management systems, or any infringing uses.⁵³⁵

The library may allow its support personnel, archivists, information technology personnel, and legal counsel to read, print, download, and otherwise use books from the LDC as reasonably necessary to carry out their responsibilities with respect to the LDC.⁵³⁶

The library may authorize another fully participating library to host and store its LDC together with or separately from the hosting library’s LDC.⁵³⁷ The library may authorize other third parties to exercise its rights and perform its obligations, including the hosting and storage of the LDC.⁵³⁸ However, it will be the library’s responsibility that such third parties comply with the settlement, particularly the security obligations described below.⁵³⁹

The library is prohibited from using its LDC: (1) for directly or indirectly selling books or access to books; (2) for interlibrary loan; (3) for e-reserves; (4) in course management systems; and (5) any other use that would violate copyright law.⁵⁴⁰

⁵²⁷ *Id.* § 7.2(b)(ii)(1).

⁵²⁸ *Id.* § 7.2(b)(ii)(2). A user with print disabilities does not need any of the certifications in order to gain access to the accommodations provided by Google. *See id.* § 7.2(g).

⁵²⁹ *Id.* § 7.2(b)(iv).

⁵³⁰ *Id.*

⁵³¹ *Id.* § 7.2(b)(vi). Non-consumptive research and the Research Corpus are discussed above in greater detail. *See discussion supra* Part IV.D.4.b.

⁵³² Settlement Agreement, *supra* note 76, § 7.2(b)(vii).

⁵³³ *Id.*

⁵³⁴ *Id.* § 7.2(c)(ii).

⁵³⁵ *Id.* § 7.2(c)(i), (iii)–(vi).

⁵³⁶ *Id.* § 7.2(b)(viii).

⁵³⁷ *Id.* § 7.2(b)(x)(1).

⁵³⁸ *Id.* § 7.2(b)(x)(2).

⁵³⁹ *Id.*

⁵⁴⁰ *Id.* § 7.2(c)(i), (iii)–(vi).

b. Michigan Provisions

The Amended Agreement between Google and the University of Michigan contained additional provisions concerning the copies Google provided to Michigan.⁵⁴¹ If Google digitizes more than 5 million works provided by Michigan, Google will provide to Michigan digital copies of books in Michigan's collection that Google obtained from another library.⁵⁴² This obligation applies both to books in copyright (and under the settlement) and books in the public domain (and thus not covered by the settlement).⁵⁴³

Michigan is permitted to provide digital copies of the public domain books to academic institutions and research or public libraries for non-commercial research, scholarly, or academic purposes.⁵⁴⁴ Before Michigan can provide it with a digital copy, the academic institution or library must agree in writing not to redistribute the copy (other than to scholars and users for educational or research purposes).⁵⁴⁵ The academic institution or library must also agree to use reasonable efforts to prevent bulk downloads of the copies, and to implement technological measures such as the robots.txt protocol to restrict automated access to websites where the content will be available.⁵⁴⁶ Michigan can provide copies of public domain books to other not-for-profit and government entities on similar terms, provided that Google agrees.⁵⁴⁷ Google cannot unreasonably withhold or delay agreement.⁵⁴⁸ In twenty years,

⁵⁴¹ Compare generally Michigan Cooperative Agreement, *supra* note 57 (setting out the terms of the Google and University of Michigan's cooperative agreement) with generally Amended Michigan Cooperative Agreement, *supra* note 450 (amending the previous agreement). On July 8, 2009, the University of Wisconsin-Madison and the University of Texas entered into similar expanded agreements with Google. John Lucas, *UW-Madison Expands Agreement with Google*, Nov. 21, 2009, <http://www.news.wisc.edu/16886>; The University of Texas at Austin News, *Libraries and Google Amend Book Search Agreement*, July 9, 2009, http://www.lib.utexas.edu/about/new/libraries_and_google_amend.html; see also Posting of Tamar Fruchtman Senior Corporate Counsel, *University of Wisconsin-Madison and University of Texas Expand Google Books Agreements*, to Inside Google Books, <http://booksearch.blogspot.com/2009/07/university-of-wisconsin-madison-and.html> (July 9, 2009, 10:27 AM) (announcing the expanded agreements for the University of Wisconsin-Madison and the University of Texas).

⁵⁴² Amended Michigan Cooperative Agreement, *supra* note 450, ¶ 18 (to supplement the Michigan Cooperative Agreement as § 4.4.4(a)).

⁵⁴³ *Id.* ¶¶ 17–18 (to supplement the Michigan Cooperative Agreement as §§ 4.4.3(b), 4.4.4(a)).

⁵⁴⁴ *Id.* ¶ 18 (to supplement the Michigan Cooperative Agreement as § 4.4.4(b)). Michigan can similarly distribute digital copies of books whose rightsholders have granted Google the right to make available the full text of the book without charge. *Id.* ¶ 24 (to supplement the Michigan Cooperative Agreement as § 4.4.9). The Amended Agreement does not place restrictions on distribution of print-on-demand copies based on the scans made by Google. See generally *id.* (omitting distribution restrictions for print-on-demand copies). In July, 2009, Michigan and Amazon.com announced that they would be making 400,000 public domain titles from the Michigan library collection available for purchase on a print-on-demand basis. Agreement with Amazon Will Make U-M Digital Books Widely Available, <http://www.lib.umich.edu/news/amazon-agreement> (last visited Nov. 21, 2009). Many of these copies would be printed from scans made by Google and provided to Michigan in the course of the Library Project. See *id.*

⁵⁴⁵ Amended Michigan Cooperative Agreement, *supra* note 450, ¶ 18(b) (to supplement the Michigan Cooperative Agreement as § 4.4.4(b)).

⁵⁴⁶ *Id.*

⁵⁴⁷ *Id.*

⁵⁴⁸ *Id.*

Michigan can provide the copies of public domain books to any other entity, so long as the entity does not provide search or hosting services similar to Google's.⁵⁴⁹

If Google does not allow end users to search, view, and print the full text of a public domain book it has scanned, the restrictions listed above on what Michigan can do with the copy of that book will not apply.⁵⁵⁰ However, Google is permitted to exclude a book from these displays for quality, technical, or legal reasons.⁵⁵¹

If Google redacts any information such as photographs from the digital copies it provides Michigan, Google must inform Michigan of the location of the redaction.⁵⁵²

When Google improves a copy of a work provided to it by Michigan, Google must provide an improved copy to Michigan.⁵⁵³ To "improve" is defined as "to make changes to a Digital Copy that materially improve the viewability of text or the fidelity of the work."⁵⁵⁴ Examples of improvements are to "make the text of a work easier to view by users with print disabilities and improvements to the Digital Copy from increased OCR accuracy."⁵⁵⁵

c. Security Obligations

A fully participating library must follow detailed procedures to protect the security of its LDC. These same procedures apply to libraries hosting the Research Corpus, discussed above, as well as Google.⁵⁵⁶

A fully participating library needs to develop a security implementation plan that meets the requirements of the Security Standard, which is set forth in an attachment to the settlement agreement.⁵⁵⁷ The seventeen-page Security Standard addresses topics such as: (1) security management, including security awareness, designation of a security representative, and incident response; (2) identification and authentication, including user identification and authentication, and authentication and password management; (3) access controls, including account management, access approval process, and access control supervision; (4) audit and accountability, including logging and audit requirements, marking of image files, and forensic analysis; (5) network security, including electronic perimeter, network firewall, device hardening, network security testing, remote network accessing, and encryption of digitized files; (6) media protection, including media access, media inventory, media storage, and media sanitization and disposal; (7) physical and environmental protection, including physical access authorizations, physical access control, visitor control, and access records; (8) risk assessment.⁵⁵⁸

⁵⁴⁹ *Id.* ¶ 18(c) (to supplement the Michigan Cooperative Agreement as § 4.4.4(c)).

⁵⁵⁰ *Id.* ¶ 18(d) (to supplement the Michigan Cooperative Agreement as § 4.4.4(d)).

⁵⁵¹ *Id.*

⁵⁵² *Id.* ¶ 19 (to supplement the Michigan Cooperative Agreement as § 4.4.5).

⁵⁵³ *Id.* ¶ 20 (to supplement the Michigan Cooperative Agreement as § 4.4.6).

⁵⁵⁴ *Id.*

⁵⁵⁵ *Id.*

⁵⁵⁶ Settlement Agreement, *supra* note 76, § 8.1.

⁵⁵⁷ *Id.* § 8.2(a)(ii); *id.* at Attach. D.

⁵⁵⁸ *Id.* at Attach. D (i)–(ii) (listing the minimum requirements for the Security Standard in the table of contents).

The Security Standard can be revised every two years by agreement between the Registry and representatives of fully participating libraries “to take account of technological developments, including new threats to security.”⁵⁵⁹ Disagreements between the Registry and the libraries concerning modifications to the Security Standard are subject to binding arbitration.⁵⁶⁰

The fully participating library must submit its security implementation plan to the Registry for approval.⁵⁶¹ If disagreements between the fully participating library and the Registry as to whether the security implementation plan complies with the Security Standard cannot be resolved, they will be submitted to binding arbitration.⁵⁶²

Each fully participating library must permit a third party to conduct an annual audit of the library’s security and usage to verify compliance with its security implementation plan.⁵⁶³ Google and the Registry will share in the costs of the audits.⁵⁶⁴

Upon learning of a prohibited or unauthorized access to the LDC, the fully participating library must notify the Registry of the breach and attempt to cure it, *e.g.*, block the unauthorized access.⁵⁶⁵ The library must confer with the Registry on ways to prevent such breach from reoccurring, and must negotiate with the Registry or the affected rightsholder an appropriate monetary remedy.⁵⁶⁶ If the parties cannot agree on an appropriate remedy, the issue will be submitted to binding arbitration.⁵⁶⁷

The settlement establishes a schedule of monetary remedies. If a breach of the security implementation plan does not result in a prohibited access by the library or an unauthorized access by a third party, the range of the remedy is \$0–\$25,000, depending on whether the breach is inconsequential, the recklessness or willfulness of the breaching conduct, the promptness of the cure, and the number of breaches with the same root cause.⁵⁶⁸ If an inadvertent or negligent breach results in a prohibited access by the library itself, the remedy will be the actual damages, with a cap of \$300,000 for all breaches resulting from the same root cause.⁵⁶⁹ If the breaching conduct was reckless, willful, or intentional, the cap is \$5 million for reckless breaches and \$7.5 million for willful or intentional breaches.⁵⁷⁰ If a third party’s unauthorized access is not the result of the library’s failure to comply with the security implementation plan, then the library owes no damages.⁵⁷¹ In contrast, if a third party’s unauthorized access is the result of the library’s failure to comply with its security implementation plan, the remedy should attempt to approximate the actual damages.⁵⁷² The damages are capped at \$2 million if the breaching

⁵⁵⁹ *Id.* § 8.2(b).

⁵⁶⁰ *Id.*; *see id.* art. IX.

⁵⁶¹ *Id.* § 8.2(a)(iv).

⁵⁶² *Id.*; *see id.* art. IX.

⁵⁶³ *Id.* § 8.2(c)(i).

⁵⁶⁴ *Id.* § 8.2(c)(ii).

⁵⁶⁵ *Id.* § 8.3(a).

⁵⁶⁶ *Id.*

⁵⁶⁷ *Id.* § 9.3(e)(ix)–(x).

⁵⁶⁸ *Id.* § 8.4(b).

⁵⁶⁹ *Id.* § 8.5(a).

⁵⁷⁰ *Id.* § 8.5(b).

⁵⁷¹ *Id.* § 8.6(a).

⁵⁷² *Id.* § 8.6(b).

conduct was negligent, \$3 million if the breaching conduct was reckless, and \$5 million if the breaching conduct was intentional.⁵⁷³

d. Attachment A Information Sharing

Attachment A to the Amended Agreement between Google and the University of Michigan requires Google to provide partner libraries with the following information:

- A unique identifier number for each work Google obtains from a library;⁵⁷⁴
- Whether Google is treating the work as being in the public domain in the United States, and the factual basis for the determination;⁵⁷⁵
- Whether the Registry has objected to Google’s public domain classification and the outcome of any dispute regarding its classification;⁵⁷⁶
- Whether Google is treating the work as a government work;⁵⁷⁷
- Whether Google is treating the work as subject to the settlement agreement (a work is not subject to the settlement if it is in the public domain, its copyright owner opts out of the settlement, it is not a “book” within the meaning of the settlement, etc.);⁵⁷⁸
- Whether the work is being treated as commercially available;⁵⁷⁹
- Whether Google is making the work available through revenue models such as consumer purchase, institutional subscriptions, or advertising uses;⁵⁸⁰
- For public domain and government works, whether Google has received requests to exclude inserts;⁵⁸¹ and
- Whether the work has been registered with the Copyright Office.⁵⁸²

Google will disclose to the public whether it is treating a work as being in the public domain.⁵⁸³ The partner libraries cannot disclose to the public any of the other information listed above.⁵⁸⁴

Google will disclose to the partner libraries through their designated representative its pricing strategies for the institutional subscription.⁵⁸⁵ The partner libraries may not share this information with third parties.⁵⁸⁶

Additionally, in response to a request from the partner libraries’ designated representative, Google must provide information concerning whether a book is being excluded from any display uses for editorial or non-editorial reasons, and if for non-

⁵⁷³ *Id.*

⁵⁷⁴ Amended Michigan Cooperative Agreement, *supra* note 450, at Attach. A, ¶ 10(a)(i).

⁵⁷⁵ *Id.* at Attach. A, ¶ 10(a)(ii).

⁵⁷⁶ *Id.* at Attach. A, ¶ 10(a)(iii).

⁵⁷⁷ *Id.* at Attach. A, ¶ 10(a)(iv).

⁵⁷⁸ *Id.* at Attach. A, ¶ 10(a)(v).

⁵⁷⁹ *Id.* at Attach. A, ¶ 10(a)(vi).

⁵⁸⁰ *Id.* at Attach. A, ¶ 10(a)(vii).

⁵⁸¹ *Id.* at Attach. A, ¶ 10(a)(ix).

⁵⁸² *Id.* at Attach. A, ¶ 10(a)(x).

⁵⁸³ *Id.* at Attach. A, ¶ 10(a)(ii), (c).

⁵⁸⁴ *Id.* at Attach. A, ¶ 10(g).

⁵⁸⁵ *Id.* at Attach. A, ¶ 10(d).

⁵⁸⁶ *Id.* at Attach. A, ¶ 10(g).

editorial reasons, whether the exclusion was for quality, technical, or legal reasons.⁵⁸⁷ A library may disclose to the public the identity of books excluded for editorial reasons.⁵⁸⁸

Furthermore, Google must disclose to the partner libraries through their designated representative information that will enable the partner libraries to determine whether Google is meeting its obligations under the settlement agreement.⁵⁸⁹ This information includes:

(i) the number of Library Scans made by or for Google at any time; (ii) the number of such Library Scans that are Commercially Available; (iii) the number of Excluded Replaced Books; (iv) the number of Not Counted Library Works; (v) the number of Display Books; (vi) the number of No Display Books; (vii) the number of Library Scans that are not authorized to be included in Institutional Subscriptions pursuant to the terms of the Settlement Agreement; (viii) the Required Library Services being provided for each of the Library Scans; and (ix) the number of Library Scans for which each of the Required Library Services is being provided.⁵⁹⁰

“Google will identify, if requested by the [d]esignated [r]epresentative, the relevant specific [b]ooks . . . [in] each category . . . above”⁵⁹¹ This information cannot be shared with the public.⁵⁹²

2. Additional Library Categories

The settlement recognizes three other categories of libraries partnering with Google in the Library Project: cooperating libraries, public domain libraries, and other libraries.⁵⁹³

- “Cooperating libraries” are libraries that intend to provide in-copyright books to Google for inclusion in Google Book Search.⁵⁹⁴ However, these libraries have decided not to retain digital copies of in-copyright books provided by Google, and therefore do not have to comply with the settlement’s security provisions.⁵⁹⁵ These libraries must destroy the in-copyright digital copies previously provided by Google, and in exchange receive a release from any copyright infringement liability for cooperating with Google.⁵⁹⁶ In addition, these cooperating libraries have the ability to force Google to meet certain obligations discussed below.

⁵⁸⁷ *Id.* at Attach. A, ¶ 10(e).

⁵⁸⁸ *Id.*

⁵⁸⁹ *Id.* at Attach. A, ¶ 10(f).

⁵⁹⁰ *Id.*

⁵⁹¹ *Id.*

⁵⁹² *Id.* at Attach. A, ¶ 10(g).

⁵⁹³ Settlement Agreement, *supra* note 76, §§ 1.36, 1.99, 1.101, 1.118.

⁵⁹⁴ *Id.* § 1.36.

⁵⁹⁵ *Id.*

⁵⁹⁶ *Id.* §§ 1.36, 10.1(b)–(c), (n), 10.2(a).

- “Public domain libraries” are libraries that intend to provide Google only with public domain books.⁵⁹⁷ In exchange for destroying any in-copyright digital copies previously provided by Google, these libraries receive a release for any past infringements, and any future inadvertent infringements, e.g., inadvertently providing Google with an in-copyright book.⁵⁹⁸
- “Other libraries” are libraries that have agreed to provide Google books to scan, but have chosen not to participate in the settlement.⁵⁹⁹ Such a library presumably would retain the digital copies Google has provided it. However, a library that does not participate in the settlement in theory could find itself the target of infringement actions by the copyright owners. Going forward, Google could continue scanning public domain books obtained from such a library, and providing the library a digital copy of these public domain books. In this event, neither Google nor the library would qualify for the settlement’s safe harbor for erroneous classification of public domain materials, because this activity would not be released by the settlement.⁶⁰⁰

F. Revenue Sharing

Rightsholders can receive several forms of compensation under the settlement. First, Google must pay between \$60 and \$300 to the rightsholder of each book scanned prior to May 5, 2009.⁶⁰¹ Google must provide a settlement fund with at least \$45 million to distribute for these scans.⁶⁰² The amount each rightsholder receives will depend on how many rightsholders file claims with respect to the scan.⁶⁰³ A rightsholder must register by January 5, 2010, in order to receive this fee.⁶⁰⁴

Additionally, Google must provide to the Registry 63% of the revenue it generates through advertising, institutional subscriptions, and consumer sales.⁶⁰⁵ The Registry will then distribute the revenue to the rightsholders who have claimed their books with the Registry.⁶⁰⁶ The settlement contains a complex plan of allocation the Registry must follow in distributing this revenue.⁶⁰⁷ Once it has

⁵⁹⁷ *Id.* § 1.118 (stating that a “Public Domain Library” will not provide materials to Google it knows are “Books”; *id.* at Attach. B-3, § 2(a) (“[Public Domain] Library agrees that it will not provide materials to Google for Digitization when it knows that those materials are Books.”); *see also id.* § 1.16 (stating that a “Book” is a written or printed work that is subject to a copyright interest).

⁵⁹⁸ *Id.* §§ 1.118, 10.1(j)–(k), 10.2(a).

⁵⁹⁹ *Id.* § 1.99 (defining “Other Library” as a library that “has signed a Digitization Agreement with Google.”); *see also id.* § 1.45 (stating that a “Digitization Agreement” is “an agreement between Google and a library to Digitize works held by that library”).

⁶⁰⁰ *See id.* § 3.2(d)(v) (“Safe Harbor Public Domain Determination.”). *See generally id.* at Attach. E (“Safe Harbor Public Domain Process”).

⁶⁰¹ *Id.* § 5.1(a); *id.* at Attach. C, § 3.2. Google must pay \$15 for each insert scanned before May 4, 2009. Settlement Agreement, *supra* note 76, § 5.1(a).

⁶⁰² *Id.* § 5.1(b).

⁶⁰³ *Id.* § 5.1(a); *id.* at Attach. C, § 3.2.

⁶⁰⁴ Google Book Settlement FAQs, *supra* note 159. As discussed in Part VI.B.1.e., the Amended Settlement Agreement extends this deadline to March 31, 2011.

⁶⁰⁵ Settlement Agreement, *supra* note 76, §§ 2.1(a), 4.5.

⁶⁰⁶ *Id.* §§ 2.1(a), 5.4. *See generally id.* at Attach. C (explaining how Google will distribute its revenues to rightsholders).

⁶⁰⁷ *See generally id.* at Attach. C (“Plan of Allocation” for all revenues Google receives).

collected sufficient revenue from Google, the Registry will pay each registered rightsholder an inclusion fee of \$200.⁶⁰⁸ Additionally, the Registry will pay rightsholders usage fees based on how many users access a particular book.⁶⁰⁹ The Registry will escrow funds due to an unregistered rightsholder for five years.⁶¹⁰ If the rightsholder does not register a claim within the five years, the Registry will retain some funds to cover its operating costs, and disburse the rest to registered rightsholders and charities.⁶¹¹

Attachment A to the Settlement Agreement contains rules for dividing the rightsholder's share of the revenue between a given book's author and publisher.⁶¹² If a book is in-print, the revenues will be divided between the publisher and the author in accordance with the existing book contract between the author and publisher.⁶¹³ If the book is out-of-print and the rights have reverted to the author, the author will receive 100% of the revenue.⁶¹⁴ If the book is out-of-print, the rights have not reverted to the author, and the book was published in or after 1987, the author and the publisher will divide the revenue 50%/50%.⁶¹⁵ If the book is out-of-print, the rights have not reverted to the author, and the book was published before 1987, the author will receive 65% of the revenue and the publisher 35%.⁶¹⁶ Importantly, Attachment A has its own definition of when rights have reverted to the author: a) when the author's rights have reverted under the book contract between the author and publisher; or b) when the rights have reverted in accordance with the procedures set forth in Attachment A.⁶¹⁷ Attachment A arguably tilts towards the author because it provides the author with a larger share of the revenue than she would have received under her book contract with the publisher.

G. Non-Exclusivity

As discussed below in greater detail, one of the primary criticisms of the settlement is that it bestows upon Google a monopoly over the digital distribution of in copyright, out-of-print books.⁶¹⁸ To assess this claim, it is critical to understand precisely what the settlement itself says about competition. The settlement explicitly

neither authorizes nor prohibits, nor releases any Claims with respect to . . . any Participating Library's Digitization of Books if the resulting Digitized Books are neither provided to Google pursuant to this Settlement Agreement nor included in any LDC, or the use of any such Digitized Books

⁶⁰⁸ *Id.* at Attach. C, § 1.2(f)(i)(2).

⁶⁰⁹ *Id.* at Attach. C, § 1.1(a).

⁶¹⁰ *Id.* § 6.3(a)(i).

⁶¹¹ *Id.*

⁶¹² *See generally id.* at Attach. A ("Procedures Governing Author Sub-Class and Publisher Sub-Class Under the Settlement Agreement").

⁶¹³ *Id.* § 5.5.

⁶¹⁴ *Id.* § 6.2(a).

⁶¹⁵ *Id.* § 6.2(c)(iii).

⁶¹⁶ *Id.* § 6.2(c)(i).

⁶¹⁷ *Id.* § 4.1.

⁶¹⁸ *See* discussion *infra* Part V.A.

that are neither provided to Google pursuant to this Settlement Agreement nor included in any LDC.⁶¹⁹

In other words, the settlement does not restrict fully participating, cooperating, public domain, or other libraries from engaging in other digitization projects outside of the settlement.

Likewise, the settlement does not limit any rightsholder's "right to authorize, through the Registry or otherwise, any Person, including direct competitors of Google, to use his, her or its Books or Inserts in any way, including ways identical to those provided for under this Settlement Agreement."⁶²⁰ Thus, even if a rightsholder registers her book with the Registry, she can still license other entities to digitize and distribute her book.⁶²¹

Additionally, the Registry may license rightsholders' United States copyrights to third persons to the extent permitted by law.⁶²² At first blush, this appears to allow the Registry to authorize a Google competitor to scan and offer display services with respect to all the books that fall within the settlement. However, the Registry can grant licenses only with respect to rightsholders that register with it and grant it the ability to act as their agent with respect to parties other than Google.⁶²³ Accordingly, if the rightsholders of only 10% of the out-of-print books register with the Registry and authorize it to act as their agent, then the Registry will be able to license to a Google competitor the right to scan and display just 10% of the out-of-print books, while Google will be able to scan and display 100% of the books.

This limitation on the Registry is not a function of the settlement, but the limits of the class action mechanism.⁶²⁴ The class action mechanism cannot bind rightsholders with respect to third parties, such as Google's potential competitors, not participating in the settlement.⁶²⁵

Nonetheless, Google opponents point to other provisions of the settlement that discourage competition, most notably the "most favored nation" clause in section 3.8(a).⁶²⁶ Critics have suggested that this provision requires the Registry to extend to Google the same terms it negotiates with any other entity, thereby discouraging new entrants. The provision in fact is far narrower than the critics indicate. It only applies when the Registry grants rights "from a significant portion of Rightsholders other than Registered Rightsholders."⁶²⁷ After parsing through the definitions of Rightsholder and Registered Rightsholder,⁶²⁸ it becomes clear that this condition can be satisfied only if Congress enacts legislation granting the Registry the authority to

⁶¹⁹ Settlement Agreement, *supra* note 76, § 2.2.

⁶²⁰ *Id.* § 2.4.

⁶²¹ *Id.* §§ 2.4, 3.1(a).

⁶²² *Id.* § 6.2(b).

⁶²³ *Id.*

⁶²⁴ *See* FED. R. CIV. P. 23(e).

⁶²⁵ *See id.*; *Hansberry v. Lee*, 311 U.S. 32, 40 (1940) ("It is a principle of general application in Anglo-American jurisprudence that one is not bound by a judgment in personam in a litigation in which he is not designated as a party or to which he has not been made a party by service of process.") (citations omitted).

⁶²⁶ *See* Settlement Agreement, *supra* note 76, § 3.8(a).

⁶²⁷ *Id.*

⁶²⁸ *Id.* §§ 1.122, 1.132.

represent the unregistered rightsholders—a highly unlikely eventuality, particularly within 10 years of the settlement taking effect, as the provision requires.

The settlement also contains a provision that allows the partner libraries and the Registry to compete with Google in the event that Google does not deploy services in a timely fashion.⁶²⁹ If Google fails within five years of the effective date of the settlement to provide free search (including permitted displays), the Public Access Service, and institutional subscriptions for 85% of the in-copyright, out-of-print books it has scanned, the partner libraries or the Registry may seek to engage a third party to provide these services.⁶³⁰ If the libraries and the Registry cannot identify or reach agreement on a third party, the libraries may provide these services themselves, using their LDCs.⁶³¹

H. The Choices Available to Rightsholders

The settlement creates many opportunities and challenges for the holders of United States copyright interests in books. The threshold decision was whether to opt out of the settlement.

1. Opting Out

All class members, including non-United States owners, had until September 4, 2009, to opt out of the settlement.⁶³² A publisher or author who did not formally opt out of the settlement by that date will be bound by the settlement (if it is approved by the court).⁶³³ As a result, the rightsholder will release Google from copyright claims relating to the Library Project, and will not be able to pursue his or her own litigation against Google in the United States.⁶³⁴

Conversely, if a rightsholder did opt out, then he can pursue copyright claims against Google, but his books will not be included in the services Google will provide under the settlement, and he will not receive any share of the revenue these services

⁶²⁹ *Id.* § 7.2(e)(i)–(ii).

⁶³⁰ *Id.*

⁶³¹ *Id.* § 7.2(e)(ii).

⁶³² See Order Extending Opt-Out Deadline at 2, *Authors Guild v. Google, Inc.*, No. 05 CV 8136 (S.D.N.Y. Apr. 28, 2009) [hereinafter Order] (extending the opt-out deadline from May 5, 2009 to September 4, 2009).. The opt-out deadline was originally May 5, 2009, but Judge Chin pushed it back by four months in response to requests by several authors and U.C. Berkeley Law Professor Pamela Samuelson. *Id.*; see also Settlement Agreement, *supra* note 76, § 1.98 (“‘Opt-Out Deadline’ means the deadline fixed by the Court to opt out of the Settlement pursuant to Rule 23 of the Federal Rules of Civil Procedure.”). As discussed below in Part VI, the Amended Settlement Agreement extends this deadline to January 28, 2010.

⁶³³ *Id.* § 1.132; see FED. R. CIV. P. 23(e).

⁶³⁴ Settlement Agreement, *supra* note 76, § 10.2(a); see also *id.* § 10.1(m) (“‘Rightsholders Releasers’ means Plaintiffs, any and all Rightsholders, and each Plaintiff’s and Rightsholder’s heirs, executors, administrators, beneficiaries, predecessors, successors, assigns, employees, and agents, any person claiming to by or through any Rightsholder and any Person representing any or all Plaintiffs and/or Rightsholders.”). To opt out, a rightsholder must contact the Settlement Administrator on or before September 4, 2009. Order, *supra* note 632, at 2.

generate.⁶³⁵ However, even if he opted out of the settlement, he can still participate in the Partner Program Google offers copyright owners.⁶³⁶ Thus, the rightsholder can still grant Google a license to make his books available to the public on terms agreed upon by Google and the rightsholder.⁶³⁷

2. Control Over Titles

If a rightsholder stays within the settlement, he can exercise significant control over Google's use of individual titles in which he may have a copyright interest by varying the default rules. The rightsholder can remove a specific title from all uses, while allowing Google to display other titles.⁶³⁸ Furthermore, the rightsholder has the ability to change the default rules with respect to a particular title.⁶³⁹ For example, for an out-of-print book, the rightsholder can instruct Google to exclude a title from consumer purchase or to display less under the preview service.⁶⁴⁰ The rightsholder can also vary the price of a book available for consumer purchase from the price set algorithmically by Google; indeed, the rightsholder can require Google to make the book available for free.⁶⁴¹ Significantly, the rightsholder can direct Google to change how to use a particular title at any time, thereby allowing the rightsholder to experiment with different services.⁶⁴² To exercise these choices, and to receive revenue from the Registry for Google's uses, the rightsholder must register with the Registry.⁶⁴³ Given this high degree of control and flexibility, there appears to have been little advantage to opting out of the settlement unless the rightsholder planned on filing his own infringement action against Google.

⁶³⁵ See Settlement Agreement, *supra* note 76, § 10.2(b).

⁶³⁶ See Google Book Settlement FAQs, *supra* note 159.

⁶³⁷ See *id.*

⁶³⁸ Settlement Agreement, *supra* note 76, § 3.5(a)(i). If a rightsholder submits the removal request before Google scans a book, Google will refrain from scanning it. If Google receives the removal request after it scans a book, but before the April 5, 2011, removal deadline, Google cannot make any display uses of the book, but Google and its library partners can retain their digital copy of the book. See Google Book Settlement FAQs, *supra* note 159. If a rightsholder does not remove a title by the removal deadline, he still will be able to exclude the book from specific services. *Id.* However, the book will be included in Google's search database, and Google will be able to display bibliographic information concerning the book in response to search queries. As discussed in Part VI, the Amended Settlement Agreement modifies the removal deadline.

⁶³⁹ Settlement Agreement, *supra* note 76, § 3.5(b)(i).

⁶⁴⁰ *Id.* If a rightsholder of a book that is not commercially available excludes a book from the ISD, then the book will be excluded from sale to individual customers. See Google Book Settlement FAQs, *supra* note 159.

⁶⁴¹ *Id.*

⁶⁴² Settlement Agreement, *supra* note 76, § 3.5(b)(i). The author-publisher procedures in Attachment A contain rules for determining whether the publisher or author of a given book can exercise these options. Google will provide display services for an in-print book only if the both the author and publisher agree. Once a display use has been authorized, however, either the author or the publisher can request Google to turn off the display. For an out-of-print book, if the rights have reverted to the author, only the author can request removal or exclusion. But if the rights have not reverted, either the publisher or the author can request removal or exclusion.

⁶⁴³ See *id.* § 1.122 (“‘Registered Rightsholder’ means any Person who is a Rightsholder and who has registered with the Registry his, her or its Copyright Interest in a Book or Insert.”); *id.* § 5.1(b)(i); Google Book Settlement FAQs, *supra* note 159.

3. Filing Comments with the Court

Rightsholders that did not opt out of the settlement had another choice to make by September 4, 2009: whether to file comments with the court urging approval or rejection of the settlement.⁶⁴⁴ The court received hundreds of objections, largely from foreign rightsholders or associations representing foreign rightsholders.⁶⁴⁵ The court also received comments from rightsholders that supported (or did not oppose) the settlement.⁶⁴⁶ Finally, dozens of amicus briefs were filed, both supporting and opposing the settlement.⁶⁴⁷

V. THE DEBATE CONCERNING APPROVAL OF THE SETTLEMENT

Announcement of the settlement precipitated a public debate even more heated than the debate over whether fair use permitted the original Library Project.⁶⁴⁸ This debate intensified in the weeks leading up to the September 4, 2009 deadline for filing comments with the court. It continued after the filing deadline with a public hearing in the European Commission on September 7, and in the House Judiciary Committee on September 10.⁶⁴⁹ Many of the arguments for and against approval of the settlement echo the equitable arguments concerning whether Google's original Library Project fell within the fair use privilege.⁶⁵⁰

⁶⁴⁴ See Order, *supra* note 632, at 1. The court extended the deadline for the electronic filing of amicus briefs and oppositions to September 8, 2009 because the court's electronic filing system was offline for maintenance purposes between September 3 and September 8. *Id.* As discussed below in Part VI, the Amended Settlement Agreement extends this deadline to January 28, 2010.

⁶⁴⁵ *E.g.*, Objection of Canadian Standards Ass'n to Proposed Settlement, Authors Guild v. Google, Inc., No. 05 Civ 8136 (DC) (S.D.N.Y. Sept. 8, 2009).

⁶⁴⁶ *E.g.*, Letter from Karl ZoBell, Senior Counsel, DLA PiperLLP, and Millie Basden, Of Counsel, DLA Piper LLP, to the Honorable Denny Chen, U.S. Dist. Court for the S. Dist. of N.Y. (Aug. 28, 2009) (on file with The John Marshall Review of Intellectual Property Law).

⁶⁴⁷ *E.g.*, Amicus Brief of Antitrust Law and Economics Professors in Support of the Settlement, Authors Guild, No. 05 Civ 8136 (JES) (S.D.N.Y. Sept. 8, 2009); see also The Public Index, *supra* note 238 (providing an index of many of the filings).

⁶⁴⁸ For a discussion of the arguments for and against approval of the settlement, see Pamela Samuelson, *Google Book Search and the Future of Books in Cyberspace*, 94 MINN. L. REV. (forthcoming Jan. 2010), available at <http://ssrn.com/abstract=1535067>.

⁶⁴⁹ See Google Books Settlement Hearing Agenda (EC Sept. 7, 2009), available at <http://thepublicindex.org/docs/ec/agenda.pdf>. As discussed below, in response to the objections raised by class members and the United States government, the parties began negotiating possible modifications to the settlement. *E.g.*, Letter from Mayer Brenner to the Honorable Denny Chen, U.S. Dist. Court for the S. Dist. of N.Y. (Apr. 29, 2009) (on file with The John Marshall Review of Intellectual Property Law). On September 22, 2009, the plaintiffs asked the court to adjourn the scheduled October 7, 2009, fairness hearing, to provide the parties with time to continue the negotiations. Plaintiffs' Memorandum in Support of Unopposed Motion to Adjourn October 7, 2009 Final Fairness Hearing and Schedule Status Conference at 3, Authors Guild, No. 05 Civ 8136 (DC) (S.D.N.Y. Sept. 22, 2009). The parties filed an amended agreement with the court on November 13, 2009. See discussion *infra* Part VI.

⁶⁵⁰ See Brandon Butler, *The Google Book Settlement: Who is Filing and What Are They Saying?*, Sept. 28, 2009, <http://www.arl.org/bm~doc/googlefilingcharts.pdf>, for a summary of the objections made by various entities. For an overview of the debates concerning the settlement see Sarah Glazer, *Future of Books*, 19 CQ RESEARCHER 473 (2009); Anna Stolley Persky, *Paper or Plastic? Google's Plan to Digitize Materials Pits Book Lovers v. Book Innovators*, WASH. LAW, June

Many support approval of the settlement because it enables Google to provide people in the United States with unprecedented online access to books.⁶⁵¹ At no cost, and from the convenience of her home, school, or workplace, a Google user will be able to search millions of books for responsive terms.⁶⁵² Depending on the nature of the book, the user will see up to fifteen continuous pages each time the term appears, and up to 20% of the entire book.⁶⁵³ The settlement allows consumers to purchase perpetual online access to the full text of individual books, with at least 80% priced below \$10 for an initial period.⁶⁵⁴ Additionally, the settlement permits universities and other institutions to purchase subscriptions that would provide authorized users within the institution full text access to millions of books.⁶⁵⁵ The settlement also would “[t]urn every public library building in the U.S. into a world-class research facility by providing free access to the online portal of out-of-print books.”⁶⁵⁶

Significantly, this access will be available to people with print disabilities.⁶⁵⁷ The settlement thus has the potential of dramatically improving the educational opportunities of a large, disadvantaged population.⁶⁵⁸

Supporters of the settlement further argue that it will benefit the authors of out-of-print books.⁶⁵⁹ The settlement would allow their books to reach new audiences, thereby enhancing their reputations, disseminating their ideas, and rewarding them financially.⁶⁶⁰ The settlement would save these out-of-print books from “oblivion”:

What once seemed at least debatable has now become irrefutable: If it's not online, it's invisible. While increasing numbers of long-out-of-date, public-

2009, http://www.dcbbar.org.for_lawyers/resources/publications/washington_lawyer/june_2009/google_digitize.cfm.

⁶⁵¹ See, e.g., Comments of Disability Organizations of or for Print-Disabled Persons in Support of the Proposed Settlement at 8–9, *Authors Guild*, No. 05 Civ 8136 (DC) (S.D.N.Y. Sept. 8, 2009); Letter from Jonathan Brown, President, Ass’n of Indep. Cal. Colls. & Univs., to the Honorable Denny Chin, U.S. Dist. Court for the S. Dist. of N.Y. (Aug. 27, 2009) (on file with The John Marshall Review of Intellectual Property Law).

⁶⁵² See Letter from Andrew J. Imparato, President & Chief Executive Officer, Am. Ass’n of People with Disabilities, to the Honorable Denny Chin, U.S. Dist. Court for the S. Dist. of N.Y. (Aug. 5, 2009) (on file with The John Marshall Review of Intellectual Property Law).

⁶⁵³ Settlement Agreement, *supra* note 76, § 4.3(b)(i)(1).

⁶⁵⁴ *Id.* § 4.2(a), (c)(i)–(ii).

⁶⁵⁵ *Id.* §§ 1.74, 4.1(e).

⁶⁵⁶ Press Release, Tom Allen, President, Ass’n of Am. Publishers, An Open Letter from the President and CEO of the Ass’n of Am. Publishers (June 25, 2009) (on file with The John Marshall Review of Intellectual Property Law), available at <http://www.publishers.org/main/PressCenter/Archives/2009%20June/TomAllenOpenLetterGoogle.htm>.

⁶⁵⁷ See Letter from Andrew J. Imparato to the Honorable Denny Chin, *supra* note 652.

⁶⁵⁸ See *id.*

⁶⁵⁹ Brief of *Amicus Curiae* Computer & Communications Industry Ass’n (CCIA) on Proposed Settlement at 9–10, *Authors Guild v. Google, Inc.*, No. 05 Civ 8136 (DC) (S.D.N.Y. Sept. 8, 2009) [hereinafter Brief of CCIA] (citing Einer Elhauge, *Why the Google Books Settlement is Procompetitive* 2–3, 10 (Harvard Univ., John M. Olin Center for Law, Econ., & Bus., Discussion Paper No. 646, 2009), available at http://www.law.harvard.edu/programs/olin_center/papers/pdf/Elhauge_646_Revised.pdf).

⁶⁶⁰ See Press Release, Tom Allen, President, An Open Letter from the President and CEO of the Ass’n of Am. Publishers, Ass’n of Am. Publishers (June 25, 2009) (on file with The John Marshall Review of Intellectual Property Law), available at <http://www.publishers.org/main/PressCenter/Archives/2009%20June/TomAllenOpenLetterGoogle.htm>.

domain books are now fully and freely available to anyone with a browser, the vast majority of the scholarship published in book form over the last 80 years is today largely overlooked by students, who limit their research to what can be discovered on the Internet.⁶⁶¹

At the same time, a wide range of criticisms has emerged. Some rightsholders question the fairness of this “confiscation” of their rights without their authorization.⁶⁶² They feel that the settlement overturns longstanding principles of copyright law by placing on them the burden of removing their books from the services Google will offer.⁶⁶³ Some authors argued that the settlement provides insufficient compensation for Google’s infringements.⁶⁶⁴ Other rightsholders objected to the possibility that Google and registered rightsholders might profit from the use of the unregistered rightsholders’ books.⁶⁶⁵

Much of the criticism concerns the use of the class action settlement procedure. The Copyright Office opined that the settlement was “tantamount to creating a private compulsory license through the judiciary,” which thus represented an “end run around legislative process and prerogatives.”⁶⁶⁶ The Copyright Office observed

⁶⁶¹ Tim Barton, *Saving Texts from Oblivion: Oxford U. Press on the Google Book Settlement*, CHRON. HIGHER EDUC. (Wash., D.C.), June 29, 2009, <http://chronicle.com/article/Saving-Texts-From-Oblivion/46966/>.

⁶⁶² See, e.g., Letter from Virginia Aronson to the Honorable Denny Chen, U.S. Dist. Court for the S. Dist. of N.Y. (Aug. 28, 2009) (on file with The John Marshall Review of Intellectual Property Law).

⁶⁶³ E.g., Memorandum of Law in Opposition to the Settlement Proposal on Behalf of the Federal Republic of Germany at 9–11, *Authors Guild*, No. 05 Civ 8136 (DC) (S.D.N.Y. Aug. 31, 2009) [hereinafter *Objection of the Federal Republic of Germany*]; *Objection of Scott E. Gant to Proposed Settlement, and to Certification of the Proposed Settlement Class and Sub-Classes at 10, Authors Guild*, No. 05 Civ 8136 (DC) (S.D.N.Y. Aug. 19, 2009) [hereinafter *Objection of Scott E. Gant*].

⁶⁶⁴ See, e.g., *Objection of Scott E. Gant, supra* note 663, at 25–27.

⁶⁶⁵ See, e.g., *Objection of the Federal Republic of Germany, supra* note 663, at 13–14; *Objection of Scott E. Gant, supra* note 663, at 33. The state attorneys general for Connecticut and Texas filed objections to the Registry’s handling of unclaimed funds under their charitable trusts law. *Objection of the State of Connecticut to Class-Action Settlement at 2, 10–13, Authors Guild*, No. 05 Civ 8136 (DC) (S.D.N.Y. Sept. 8, 2009); Letter from Greg Abbott, Att’y Gen. of Tex., to the Honorable Denny Chin, U.S. Dist. Court for the S. Dist. of N.Y. (Sept. 9, 2009) (on file with The John Marshall Review of Intellectual Property Law).

⁶⁶⁶ *Hearing on Competition and Commerce in Digital Books: The Proposed Google Book Settlement Before the H. Comm. on the Judiciary*, 111th Cong. 2–3 (2009) [hereinafter *Proposed Google Book Settlement Hearing*] (statement of Marybeth Peters, Reg. of Copyrights, United States Copyright Office). In her oral testimony, Register Peters went further, stating that the settlement “mak[es] a mockery of Article One of the Constitution.” *Hearing on Competition and Commerce in Digital Books Before the H. Comm. on the Judiciary*, 111th Cong. (2009) [hereinafter *Digital Books Hearing*] (testimony of Marybeth Peters, Reg. of Copyrights, United States Copyright Office). At the September 10 hearing, Congressman Hank Johnson (D-GA) agreed with Peters, stating “the settlement is coming very close to whittling away the powers of the United States Congress. The treatment of orphan works rights holders is a matter that should be decided by Congress.” *Id.* (testimony of Rep. Hank Johnson). However, Congressman Mel Watt (D-NC) said “the best protection to the prerogatives of the legislative branch is for us to legislate and since we haven’t done very aggressively and effectively the legislation on the orphan works, it’s kind of hard for me to condemn the courts for having a case before it that questions what can be done and can’t be done with orphan works.” *Id.* (testimony of Rep. Mel Watt). Similarly, Congresswoman Zoe Lofgren (D-CA) said “[w]hat I look at in the settlement is really the private sector achieving what we failed to

that “[c]ompulsory licenses in the context of copyright law have traditionally been the domain of Congress.”⁶⁶⁷ Accordingly, “[a]s a matter of copyright policy, courts should be reluctant to create or endorse settlements that come so close to encroaching on the legislative function.”⁶⁶⁸ Additionally, “Congress is much better situated than the judiciary to consider such important and far-reaching changes to the copyright system.”⁶⁶⁹

The Copyright Office and other opponents made the narrower legal argument that the settlement represented an inappropriate use of the class action settlement process to create a commercial arrangement to prevent liability for future infringements.⁶⁷⁰ The Copyright Office objected to employment of the class action procedure to “create mechanisms by which Google could continue to scan with impunity, well into the future, and to . . . create yet additional commercial products without the prior consent of rights holders.”⁶⁷¹ The Copyright Office conceded that the class action procedure was used in the remedies phase of an infringement action brought by freelance writers against database publishers.⁶⁷² The proposed settlement in that case, which was approved by the district court, would grant the infringers a license to continue infringing.⁶⁷³ However, the Copyright Office distinguished that settlement on the grounds that it did not involve “future uses of copyrighted products that were not the subject of the original infringement action.”⁶⁷⁴ The Copyright Office “wonder[ed] whether, as a constitutional matter, a class action

achieve” with orphan works legislation. *Id.* (testimony of Rep. Zoe Lofgren). Congresswoman Lofgren also indicated that Congress helped create the orphan works problem by extending the term of copyrights by 20 years in 1998. See *id.* Congressman Brad Sherman (D-CA) added that Congress had acted irresponsibly by failing to find a way to provide “access to all the knowledge, in all the books for which authors cannot be found,” and that it would be irresponsible to prevent others from doing so. *Id.* (testimony of Rep. Brad Sherman).

⁶⁶⁷ *Proposed Google Book Settlement Hearing, supra* note 666, at 5 (statement of Marybeth Peters, Reg. of Copyrights, United States Copyright Office). At the hearing, Google’s Chief Legal Officer objected to the characterization of the settlement as a judicial compulsory license, noting that rightsholders could opt out of the settlement or vary its terms. See *Digital Books Hearing, supra* note 666. (testimony of David Drummond, Senior Vice President of Corporate Development and Chief Legal Officer, Google, Inc.).

⁶⁶⁸ *Proposed Google Book Settlement Hearing, supra* note 666, at 5 (statement of Marybeth Peters, Reg. of Copyrights, United States Copyright Office).

⁶⁶⁹ *Id.* at 8. The Office stated that the settlement “could affect the exclusive rights of millions of copyright owners, in the United States and abroad, with respect to their abilities to control new products and new markets, for years and years to come.” *Id.* at 2.

⁶⁷⁰ *Id.* at 2; see, e.g., Objection of Scott E. Gant, *supra* note 663, at 11–12.

⁶⁷¹ *Proposed Google Book Settlement Hearing, supra* note 666, at 2 (statement of Marybeth Peters, Reg. of Copyrights, United States Copyright Office).

⁶⁷² *Id.* at 7 n.10 (citing *In re Literary Works in Elec. Databases Copyright Litig.*, MDL No. 1379 (S.D.N.Y.)).

⁶⁷³ See *In re Literary Works in Elec. Databases Copyright Litig.*, 509 F.3d 116, 119–20 (2d Cir. 2007), *cert. granted sub nom.*, *Reed Elsevier, Inc. v. Muchnick*, 129 S. Ct. 1523 (2009). Whether 17 U.S.C. § 411(a) posed a jurisdictional bar to including unregistered works in the settlement is now before the Supreme Court in *Reed Elsevier, Inc. v. Muchnick*, 129 S.Ct. 1523 (2009).

⁶⁷⁴ *Proposed Google Book Settlement Hearing, supra* note 666, at 7 (statement of Marybeth Peters, Reg. of Copyrights, United States Copyright Office). As discussed above, the original complaint concerned the permissibility of Google’s scanning books into its search database for the purpose of displaying snippets as search results. See discussion *supra* Part III. In contrast, the settlement allows Google to provide services that involve the sale of access to the full text of books. See Settlement Agreement, *supra* note 76, §§ 1.32, 4.2.

settlement could decide issues that were not properly before the Court as part of the case and controversy presented during the litigation.”⁶⁷⁵

Some rightsholders made even more technical legal arguments about satisfaction of the class action requirements in Rule 23 of the Federal Rules of Civil Procedure. They contended that the parties had made inadequate efforts to provide individual notice to class members.⁶⁷⁶ Rightsholders also asserted that the parties had not met the class certification standards. Scott Gant, for example, identified four groups of authors with materially distinct interests who should therefore have separate class representatives and separate class counsel.⁶⁷⁷ Professor Pamela Samuelson argued that the Authors Guild did not adequately represent the interests of academic authors.⁶⁷⁸

Other criticisms were raised as well. Academics voiced concern with commercial entities exercising control over so much information, and would have preferred for this digital storehouse of knowledge to have been maintained by entities that served the public interest, such as the Library of Congress or a consortium of research libraries.⁶⁷⁹ Law professors condemned Google for “abandoning” its fight for fair use, and establishing a pay-per-use precedent for accessing digital works.

While these critics suggest that the settlement goes too far, others believe that it does not go far enough. Observers have noted possible deficiencies with the corpus of books stored in Google’s database.⁶⁸⁰ Because the settlement allows the rightsholder of a work contained within another rightholder’s book to exercise his rights under the settlement independently, a book in the Google database may lack important parts of the printed book.⁶⁸¹ A book in the database might be missing an essay, poem, short story, foreword, chart or table that appears in the printed version.⁶⁸² Similarly, because the settlement does not apply to pictorial works, Google will black out photographs and illustrations with a different rightsholder from the book’s rightsholder.⁶⁸³ The quality of Google’s scans has been criticized, as well as the

⁶⁷⁵ *Proposed Google Book Settlement Hearing*, *supra* note 666, at 7 (statement of Marybeth Peters, Reg. of Copyrights, United States Copyright Office). The Copyright Office, however, acknowledged that “[w]e are not experts on the proper scope of class actions settlements . . .” *Id.*

⁶⁷⁶ See Objection of Scott E. Gant, *supra* note 663, at 13–14. For an analysis of the merits of Gant’s Opposition, see James Grimmelmann, *Scott Gant’s Attack on the Class*, LABORATORIUM, Aug. 21, 2009, http://laboratorium.net/archive/2009_08.

⁶⁷⁷ See Objection of Scott E. Gant, *supra* note 663, at 31–34. The four categories are: 1) an owner of a copyright in an orphan work copied by Google without permission; 2) an owner of a copyright in a non-orphan work copied by Google without permission; 3) an owner of a copyright in an orphan work not copied by Google or copied with permission; and 4) an owner of a copyright in a non-orphan work not copied by Google or copied with permission. *Id.* at 34.

⁶⁷⁸ Letter from Pamela Samuelson, Professor of Law & Info., Univ. of Cal., Berkeley, to the Honorable Denny Chin, U.S. Dist. Court for the S. Dist. of N.Y. (Sept. 3, 2009) (on file with The John Marshall Review of Intellectual Property Law).

⁶⁷⁹ Robert Darnton, *Google & the Future of Books*, N.Y. REV. BOOKS, Feb. 12, 2009, <http://www.nybooks.com/articles/22281>.

⁶⁸⁰ See, e.g., Letter from Pamela Samuelson to the Honorable Denny Chin, *supra* note 678.

⁶⁸¹ See Settlement Agreement, *supra* note 76, § 3.5(b)(i).

⁶⁸² See *id.* § 1.72 (defining the term “Insert”); *id.* § 1.122 (defining “Registered Rightsholder” to include a rightsholder who has registered an insert).

⁶⁸³ *Id.* § 3.5(b)(i); see *id.* § 1.72 (“The term ‘Insert’ does not include . . . pictorial works, such as photographs, illustrations (other than children’s Book illustrations), maps or paintings . . .”).

quality of the metadata Google uses for conducting its searches.⁶⁸⁴ Additionally, some public libraries called for an expansion of the free Public Access Service to every computer terminal in public libraries and public schools.⁶⁸⁵

Although the debate has spanned this broad range of topics, the most persistent critics have focused on a narrower cluster of issues: the absence of competition, and the possible consequences of that absence on the price of the institutional subscription, user privacy, and censorship.⁶⁸⁶ And while critics have agreed on the existence of these problems, they have diverged on how to address them. Some have called for rejection of the settlement combined with Congressional action to permit multiple entities to scan and display the full text of books. Others believe that the court presiding over the litigation should approve the settlement, but vigorously oversee its implementation.⁶⁸⁷

A. Competition

The class action settlement provides Google with a mechanism for eliminating the significant transaction costs of clearing the indexing rights in tens of millions of in-copyright books. Further, for the more than 80% of these books that are out-of-print, Google can display large amounts of text.

However, because Google was the only defendant in the class action, the settlement permits only Google to provide these services. To be sure, the Registry will have the power to license to Google competitors rights for books whose rightsholders file claims with the Registry and authorize it to act as their agent.⁶⁸⁸ But it is safe to assume that a large proportion of the rightsholders will not claim their books.⁶⁸⁹ Many of the rightsholders will not even know that they are rightsholders; they may be heirs of deceased authors whose books have been out of print for decades. Other rightsholders will not know about the settlement or the Registry. Still others will decide that the small amount of money the Registry will distribute to them does not warrant the bother of filing claims. It is impossible to know at this point how many rightsholders will not claim their books, but it certainly is possible that the rightsholders of as much as 75% of the out-of-print books will remain unclaimed.

⁶⁸⁴ Robert B. Townsend, *Google Books: What's Not to Like?*, A.H.A. TODAY, Apr. 30, 2007, <http://blog.historians.org/articles/204/google-books-whats-not-to-like>.

⁶⁸⁵ See, e.g., Letter from Susan Benton, President & Chief Executive Officer, Urban Libraries Council, to the Honorable Denny Chin, U.S. Dist. Court for the S. Dist. of N.Y. (Aug. 27, 2009) (on file with The John Marshall Review of Intellectual Property Law).

⁶⁸⁶ See discussion *infra* Parts V.A–C.

⁶⁸⁷ See, e.g., Letter from Karin Wittenborg, Univ. Librarian, Univ. of Virginia, to the Honorable Denny Chin, U.S. Dist. Court for the S. Dist. of N.Y. (Sept. 3, 2009) (on file with The John Marshall Review of Intellectual Property Law).

⁶⁸⁸ Settlement Agreement, *supra* note 76, § 2.4.

⁶⁸⁹ In the debate over approval of the settlement, works unregistered with the Registry were labeled “orphan works.” This is an incorrect use of the term. Orphan works are works whose rightsholder cannot be identified or located. REGISTER OF COPYRIGHTS, U.S. COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS 1 (2006). Here, no one has looked for the rightsholders, so no one knows whether they are in fact orphaned. All that is known is that the rightsholder has not registered a claim with the Registry.

In sum, the settlement will place Google in a privileged position relative to any competitors; the settlement immunizes only Google from copyright infringement liability for scanning and displaying the unclaimed books. Opponents claim that Google could use this privileged position to deepen its control over the search market, and to achieve domination in other markets such as e-book distribution and publishing generally.⁶⁹⁰

1. Proposed Solutions to the Competition Problem

a. Replicating the Class Action

Google has responded to the competition criticism by contending that nothing in the settlement prevents other entities from embarking on library projects like Google's.⁶⁹¹ They could scan books from libraries not partnering with Google, thereby precipitating a class action that could be settled on terms similar to the Google settlement.⁶⁹²

Settlement opponents counter that there is too much uncertainty with this approach. The competitor's scanning might not induce a class action, or if it does, the class representatives might not agree to the same settlement as Google's.⁶⁹³

b. Legislation

Accordingly, most settlement opponents advocate a legislative solution, noting that orphan works legislation passed the Senate in 2008.⁶⁹⁴ The proponents of this

⁶⁹⁰ See Memorandum of Amicus Curiae Open Book Alliance in Opposition to the Proposed Settlement Between the Authors Guild, Inc., Association of American Publishers, Inc., et al., and Google Inc. at 7–8, *Authors Guild v. Google, Inc.*, No. 05 Civ 8136 (DC) (S.D.N.Y. Sept. 8, 2009) [hereinafter Brief of Open Book Alliance]. Google competitors organized the Open Book Alliance to counter the settlement. Members include Amazon, Microsoft, Yahoo, as well as other groups such as the Internet Archive, Science Fiction and Fantasy Writers of America, the Special Libraries Association, American Society of Journalists and Authors, the Council of Literary Magazines and Presses, the New York Library Association, and the Small Press Distribution. Open Book Alliance, <http://www.openbookalliance.org/members> (last visited Dec. 3, 2009). At the same time, the Computer & Communications Industry Association (“CCIA”) argued that the competition issues arising from the settlement appear to be overstated. Brief of CCIA, *supra* note 659, at 1. CCIA noted that digital books account for less than 1% of all book sales. *Id.* Further, out-of-print books account for only 3% of sales. *Id.* Thus, the settlement as a practical matter affects a very small proportion of the market for books. See *id.* CCIA also called the argument concerning Google's control over orphan works “counterintuitive”—“that Google's license to use books that no one wanted would create a product with which no one can compete.” *Id.* at 12.

⁶⁹¹ *Digital Books Hearing*, *supra* note 666 (testimony of David Drummond, Senior Vice President of Corporate Development and Chief Legal Officer, Google, Inc.).

⁶⁹² See *id.*

⁶⁹³ See generally James Grimmelman, *When the Unprecedented Becomes Precedent: Class Actions in a Google Book Search World*, LABORATORIUM, Aug. 4, 2009, http://laboratorium.net/archive/2009/08/04/gbs_blogging_when_the_unprecedented_becomes_preced (providing a more detailed discussion of a copy-cat class action).

approach overlook the substance of the orphan works legislation. As noted above, the legislation would have limited the remedies for infringement only if the user made a reasonably diligent search for the copyright owner prior to commencing the use.⁶⁹⁵ The cost of performing millions of searches is precisely what Google is attempting to avoid through the settlement. Thus, Congress would have to adopt legislation far more generous to users than what it has rejected in the past two Congresses; it would have to adopt a compulsory license that required no search by the user for the rightsholder.

There is, however, absolutely no evidence that Congress would enact such a compulsory license for books. Indeed, the Copyright Office in its testimony at the September 10 hearing indicated that Congressional inquiry in this area should begin with orphan works legislation that would require a search for the rightsholder:

A much more productive path would be for Google to engage with this Committee and with other stakeholders to discuss whether and to what degree a diligent search for the rights holder should be a precondition of a user receiving the benefits of orphan works legislation, or whether a solution that is more like a compulsory license may make sense for those engaged in mass scanning.⁶⁹⁶

In response to a question from Congressman Lamar Smith (R-Tex), the ranking Republican on the Judiciary Committee, concerning limits on Congressional power to enact orphan works legislation, Register Peters suggested that a statutory compulsory license for the mass digitization of books may be inconsistent with international treaty obligations.⁶⁹⁷ In other words, Register Peters believes that the settlement is a judicial compulsory license that trespasses on Congressional prerogatives, but that Congress itself perhaps cannot enact a compulsory license for book digitization without violating international obligations.⁶⁹⁸ In effect, Register Peters is saying that creation of a relatively comprehensive digital library providing access to the full text of in-copyright books may be a legal impossibility. In the absence of either a judicial or statutory compulsory license, the digitizer would have to bear the cost of searching for the rightsholders of millions of books. This cost would be so overwhelming as to preclude any entity from undertaking such an endeavor.⁶⁹⁹

However, many of those who advocate a legislative solution believe that Congress does have the power to enact a compulsory license for the digitization of

⁶⁹⁴ See Shawn Bentley Orphan Works Act of 2008, S. 2913, 110th Cong. (2008) (passed the Senate on September 26, 2008).

⁶⁹⁵ *Id.* § 514(b)(2)(A)(i).

⁶⁹⁶ *Proposed Google Book Settlement Hearing*, *supra* note 666, at 7–8 (statement of Marybeth Peters, Reg. of Copyrights, United States Copyright Office).

⁶⁹⁷ *Digital Books Hearing*, *supra* note 666 (testimony of Marybeth Peters, Reg. of Copyrights, United States Copyright Office).

⁶⁹⁸ *Id.* At the very least, Register Peters appears to believe that such a statutory compulsory license would subject the United States to “diplomatic stress.” See *Proposed Google Book Settlement Hearing*, *supra* note 666, at 3 (statement of Marybeth Peters, Reg. of Copyrights, United States Copyright Office).

⁶⁹⁹ Register Peters took no position on the merits of Google’s fair use defense with respect to its creation of a digital index under the original Library Project.

books. Underlying the preference for a legislative solution is the belief that legislative process is more open and transparent than a court approved class-action settlement, and that Congress would be more responsive than Judge Chin to concerns raised by their particular constituency.⁷⁰⁰ But the settlement has been criticized from all directions; rightsholders, users, and potential competitors have complained that the settlement does not sufficiently accommodate their interests. These interests often are incompatible. If more competition leads to lower prices for users, for example, then the rightsholders would receive less revenue.⁷⁰¹ Likewise, more protection for rightsholders inevitably would result in less robust services for consumers. A legislated compulsory license could very well not apply to the works of foreign rightsholders, which would result in a much smaller, less useful digital library.⁷⁰²

The legislative process, therefore, would be highly contentious; and in the unlikely event Congress succeeded in enacting a compulsory license, it would reflect political compromises and the relative lobbying strength of stakeholders. One cannot predict whether a particular stakeholder would do better in Congress than under the settlement; and one certainly cannot predict whether the compromises in legislation would be more “fair” than the compromises in the settlement.⁷⁰³

c. Restructuring the Settlement

Other settlement opponents believe that the settlement should be restructured so that the class plaintiffs grant to the Registry the ability to license the rights of all class members to any entity on a non-discriminatory basis.⁷⁰⁴ While theoretically

⁷⁰⁰ Legal scholars who have criticized the legitimacy of the class action mechanism here have in the past condemned amendments to the Copyright Act as reflecting the entertainment industry’s undue influence on Congress.

⁷⁰¹ CCLA observed that the concerns about the anticompetitive misbehavior of the Registry is another example of the fundamental tension in the various objections to the settlement: insofar as one entertains the pure speculation of objectors, the proposed BRR cannot simultaneously be unfair to the class *and* anticompetitive, since any anticompetitive conduct that the BRR engaged in would benefit class members, if anyone.

Brief of CCLA, *supra* note 659, at 15.

⁷⁰² The Copyright Act already provides preferential treatment to foreign works. For example, registration is not a prerequisite for a rightsholder of a non-United States work to initiate an infringement action. *See* 17 U.S.C. § 411(a) (2006). Some foreign rightsholders can be expected to lobby vigorously for exclusion from a Congressionally mandated compulsory license. *See, e.g.*, Memorandum of Law in Opposition to the Settlement Proposal on Behalf of the French Republic at 13–17, *Authors Guild v. Google, Inc.*, No. 05 Civ 8136 (DC) (S.D.N.Y. Sept. 8, 2009); Objection of the Federal Republic of Germany, *supra* note 663, at 11. The Copyright Office appears to support such an exclusion. *See Proposed Google Book Settlement Hearing, supra* note 666, at 8–10 (statement of Marybeth Peters, Reg. of Copyrights, United States Copyright Office).

⁷⁰³ CCLA stated “[s]ome assert the deal is not good enough for certain interests; others claim it is too good. This lack of consensus among objectors may itself be evidence that an equitable compromise was struck between the parties.” Brief of CCLA, *supra* note 659, at 16. In any event, Congress is most likely to take action in this area only as a reaction to judicial approval of the settlement. *See* Barton, *supra* note 661.

⁷⁰⁴ James Grimmelmann, *How to Fix the Google Book Search Settlement*, J. INTERNET L., Apr. 2009, at 15, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1363843.

possible, there are at least two problems with this approach. First, it would involve an even more sweeping use of the class action mechanism than the settlement as originally proposed. The settlement in effect assigns the digitization rights of the absent rightsholders to the Registry only with respect to Google. The proposed restructuring of the settlement would require an assignment of the digitization rights of the absent rightsholders with respect to all entities. Thus, this approach “confiscates” even more of the rights of the absent rightsholders, and concentrates them in the hands of the Registry. Given the discomfort of some rightsholders with the current class action mechanism, broader use of the mechanism would encounter even fiercer resistance.

Second, the class representatives likely will not agree to such a restructuring. The class representatives might be willing to allow Google to engage in this massive scanning and display undertaking because Google is a known entity with a proven track-record of data security and financial stability. Conversely, the class representatives might be far more reluctant to release their copyright claims against every entity that wants to scan and display all in-copyright, out-of-print books.⁷⁰⁵

⁷⁰⁵ Peter Eckersley of the Electronic Frontier Foundation called for an even more extreme solution:

[T]o require that anyone who takes a blanket license (whether under the Google Book Search settlement, or under any legislation that might expand the settlement to others) must deposit a copy of the raw scans that they create with the Library of Congress or with the entity that administers the blanket license (e.g., the Books Rights Registry). After a period of years, let's say 14, the term of the Founder's Copyright, those scans should be made available at no cost to any others who take the relevant copyright licenses.

Posting of Peter Eckersley, *Google Book Search Settlement: Foster Competition, Escrow the Scans*, to Electronic Frontier Foundation Deeplinks Blog, <http://www.eff.org/deeplinks/2009/06/should-google-have-s> (June 11, 2009). Eckersley notes that “[t]his would not only encourage market entry and competition in the online digital books arena, but would also foster innovation in the field.” *Id.* He argues that

[i]t makes no economic sense for us to force every future pair of graduate students who want to experiment with the book dataset to spend those hundreds of millions of dollars before they can launch their new startup. On the other hand, Google deserves some fair reward for navigating the obstacles and getting the books scanned. A compromise like a 14-year escrow rule might be just the way to achieve that.

Id. Google, of course, would never agree to relinquish control over its \$750 million investment after 14 years. Nor would Congress require it to do so.

The Open Book Alliance similarly stated that “[a]ppropriate modifications of the parties’ proposal might begin with compulsory licensing of the database.” Brief of Open Book Alliance, *supra* note 690, at 29. It further stated that

Google should be ordered to license the database with all attendant rights to a number of competitors, under the supervision of the Department of Justice. Unlike physical assets such as plants and equipment, the database can be copied quickly and accurately, and conveyed through licensing agreements to companies that will compete against Google by selling digital books and library subscriptions. These licensees must be permitted, in turn, to sell competitors of Google and the publishers the right to crawl and index the database for their own commercial uses, in order to prevent competitive injury to the search market.

Id. at 29–30. The Open Book Alliance asserted that “[c]ompetitors should pay, at most, nominal amounts to Google to license the database for resale. Not-for-profit institutions that wish to scan orphan works for the purpose of creating a better database than the one Google offers should be entitled to license the necessary rights from Google free of charge.” *Id.* at 31.

d. Common Flaws

The three approaches discussed above—replication of Google’s steps, legislation, and restructuring of the settlement—have two other critical infirmities.⁷⁰⁶ First, all three approaches assume that entities exist that are willing to invest hundreds of millions of dollars in the scanning of book once the copyright clearance problem is addressed. However, Google has a five year lead-time advantage over potential competitors, during which it has refined the scanning process and scanned as many as twelve million books into its search database.⁷⁰⁷ Considering Google’s significant head-start, it is unlikely that any commercial entity will enter this unproven market.⁷⁰⁸ There also is no indication that the federal government or private foundations would fund the creation of a digital library to compete with Google’s.

Second, assuming that a competitor to Google did emerge, the competition problem would remain because the Registry would still control the rights to the unregistered books.⁷⁰⁹ The Registry would have no competition, and it could attempt to push the price of the institutional subscription to a profit maximizing point. As discussed above, Google and the Registry will jointly set the price of the institutional subscription.⁷¹⁰ If they cannot reach agreement, the price will be determined by an arbitrator.⁷¹¹ Google’s current business model, based on advertising revenue, suggests that Google may have the incentive to negotiate vigorously with the Registry to set the price of the institutional subscription as low as possible to maximize the number of authorized users with access to the ISD. The Registry, on the other hand, may seek a profit maximizing price structure that has the effect of reducing access.

Libraries have great interest in the pricing of the institutional subscription because they constitute the target market for these subscriptions.⁷¹² Faculty and students performing serious research are among the largest and most likely populations to demand the ability to read the full text of out-of-print books.⁷¹³ Three library associations, in comments filed with the court presiding over the litigation, explained their concern over the pricing of the institutional subscription:

[T]he predominant model for pricing of scientific, technical, and medical journals in the online environment has been based on low volume and high prices. Major commercial publishers have been content with strategies that maximize profits by selling subscriptions to few customers at high cost. Typically these customers are academic and research libraries. Therefore,

⁷⁰⁶ See discussion *supra* Part V.A.1.a–c.

⁷⁰⁷ Library Association Comments on the Proposed Settlement at 5, *Authors Guild v. Google, Inc.*, No. 05 Civ 8136 (DC) (S.D.N.Y. Sept. 9, 2009) [hereinafter *Library Association Comments*].

⁷⁰⁸ See *id.* at 5 n.11.

⁷⁰⁹ See Settlement Agreement, *supra* note 76, §§ 13.1, 13.4. *But see id.* § 17.33 (“Effect of Opt-Out.”).

⁷¹⁰ *Id.* § 4.1(a)(vi)(4)(a); see discussion *supra* Part IV.D.3.a.

⁷¹¹ Settlement Agreement, *supra* note 76, § 9.7.

⁷¹² Library Association Comments, *supra* note 707, at 3.

⁷¹³ *Id.*

the Registry . . . may seek to emulate this strategy in the market for institutional subscriptions.⁷¹⁴

The Library Associations continued to describe other features of the settlement's provisions concerning the pricing of the institutional subscription that increase the likelihood of this outcome:

[T]he Settlement states that the price of the institutional subscription will be based in part on the prices of "comparable products and services. . . ." Although there are no comparable products or services to an online database of in-copyright, not commercially available books, the Registry or the arbitrators might erroneously treat online journals as comparable products. In this event, the institutional subscription would become cost prohibitive for most libraries. The annual subscription for some scientific, technical, and medical journals can exceed \$20,000 per journal. A university library spends an average total of \$4.3 million a year for online journal subscriptions. If journal subscriptions are "comparable" to the institutional subscription, and a library pays \$4.3 million for access to 31,000 journals, one can only imagine the price the Registry might insist upon for a subscription to millions of books.⁷¹⁵

The settlement provides that the price of the institutional subscriptions will be governed by two objectives: "(1) the realization of revenue at market rates for each Book and license on behalf of Rightsholders and (2) the realization of broad access to the Books by the public, including institutions of higher education."⁷¹⁶ The Library Associations feared that the Registry may convince Google or the arbitrator to set the institutional subscription price at a level that favors the first objective over the second.⁷¹⁷

The Library Associations further suggested that they might have little leverage in the negotiations concerning the price of an institutional subscription:

Students and faculty members at higher education institutions with institutional subscriptions will be able to access the ISD from any computer -- from home, a dorm room, or an office. Accordingly, it is possible that faculty and students at institutions of higher education will come to view the institutional subscription as an indispensable research tool. They might insist that their institution's library purchase such a subscription. The institution's administration might also insist that the library purchase an institutional subscription so that the institution can remain competitive

⁷¹⁴ *Id.* at 8. The author of this article assisted the Library Associations in the drafting of these comments.

⁷¹⁵ *Id.* at 8–9 (footnotes omitted) (ellipsis in original).

⁷¹⁶ Settlement Agreement, *supra* note 76, § 4.1(a)(i).

⁷¹⁷ Library Association Comments, *supra* note 707, at 6.

with other institutions of higher education in terms of the recruitment and retention of faculty and students.⁷¹⁸

In short, enabling Google's hypothetical competitors to scan and display the unregistered books would not reduce the Registry's ability to push the price of the institutional subscription up to a profit maximizing point.

2. *Taming the Registry*

The settlement agreement permits only Google and the Registry to submit disputes concerning the pricing of the institutional subscription to arbitration; the libraries have no recourse to the arbitrator.⁷¹⁹ In response to concerns raised by libraries over the pricing of the institutional subscription, Google and the University of Michigan agreed on May 20, 2009, to a new procedure that would allow Michigan and the other libraries that provided Google with in-copyright books to request an arbitrator to review the pricing of the institutional subscription.⁷²⁰ The new "pricing review" procedure would occur after the price-setting process described in the settlement, including any arbitration between Google and the Registry.⁷²¹

Although this new pricing review could be helpful to libraries, it contains several significant limitations. First, only Google's partners can initiate the review. If these partner libraries receive discounts on the institutional subscription similar to Michigan's, they may not have the financial incentive to pursue this new procedure.⁷²² Second, while the procedure allows the arbitrator to order Google to adjust the price downwards, the adjustment amount is limited to Google's net revenue—37% of the subscription price.⁷²³ Thus, the subscription price might remain beyond the means of many libraries.⁷²⁴ Third, the arbitrator's decision is final and unappealable.⁷²⁵ This could be problematic to the extent that the arbitrator just "splits the baby" and does not engage in thorough review of the pricing.

The Library Associations proposed two solutions for the problem of the influence the Registry would have over the pricing of the institutional subscription. Both solutions are rooted in the court's continuing jurisdiction over the settlement.⁷²⁶ The settlement specifically provides that "[t]he Court shall retain jurisdiction over the interpretation and implementation of [the] Settlement Agreement."⁷²⁷ The Library Associations asserted that by this statement the parties acknowledged the court's authority to regulate their conduct under the settlement.⁷²⁸ "The Library

⁷¹⁸ *Id.* at 4–5.

⁷¹⁹ See Settlement Agreement, *supra* note 76, § 4.1(a)(vi)(4), (viii)–(ix).

⁷²⁰ Amended Michigan Cooperative Agreement, *supra* note 450, at Attach. A, ¶ 3(c).

⁷²¹ See Settlement Agreement, *supra* note 76, § 4.1(a).

⁷²² See Amended Michigan Cooperative Agreement, *supra* note 450, ¶23 (to supplement the Michigan Cooperative Agreement as § 4.4.8(a)).

⁷²³ See *id.* at Attach. A, ¶ 3(c)(3).

⁷²⁴ See Library Association Comments, *supra* note 707, at 9.

⁷²⁵ Settlement Agreement, *supra* note 76, § 9.7.

⁷²⁶ *Id.* § 17.23.

⁷²⁷ *Id.*

⁷²⁸ Library Association Comments, *supra* note 707, at 19.

Associations urge the court to exercise this authority vigorously to ensure the broadest possible public benefit from the services the Settlement enables.”⁷²⁹

The Library Associations then offered two specific suggestions for ensuring the fairness of the price of the institutional subscription. First,

[a]ny library or other possible institutional subscriber must have the ability to request this Court to review the pricing of an institutional subscription. The Court’s standard of review should be whether the price meets the economic objectives set forth in the Settlement, *i.e.*, “(1) the realization of revenue at market rates for each Book and license on behalf of Rightsholders and (2) the realization of broad access to the Books by the public, including institutions of higher education.”⁷³⁰

In a lengthy footnote, the Library Associations analogized the Registry to two organizations that collectively manage performance rights: the American Society of Composers, Authors and Publishers (“ASCAP”) and Broadcast Music, Inc. (“BMI”).⁷³¹ The Library Associations observed that

[b]oth ASCAP and BMI are subject to consent decrees resolving antitrust actions brought by the U.S. Department of Justice. The ASCAP consent decree has existed, with modifications, since 1941; and the BMI consent decree since 1966. Under the consent decrees, ASCAP and BMI must grant, on a non-discriminatory basis, either a blanket license to their entire catalogue, or a license for the performance of a particular work.⁷³²

The Library Associations noted that a court in the same district as the court presiding over the settlement has continuing jurisdiction over the ASCAP and BMI consent decrees, and has established a rate court to resolve disputes concerning license fees.⁷³³ In proceedings before the rate court, ASCAP and BMI have the burden of proving the reasonableness of the rates they seek.⁷³⁴ The Library Associations asserted that “[e]stablishment of a rate court in this case is premature. However, this Court has the authority to adopt the procedures necessary to ensure the fairness of the price of the institutional subscription.”⁷³⁵

The Library Associations’ second suggestion concerned the composition of the Registry’s Board of Directors.⁷³⁶ The settlement stipulates that the Author Sub-Class and the Publisher Sub-Class will have equal representation on the Registry’s Board of Directors, but the settlement is silent on who will select these board members and how class members can ensure that the Registry will in fact advance their objectives.⁷³⁷ The Library Associations expressed concern that the Registry’s Board

⁷²⁹ *Id.*

⁷³⁰ *Id.* (quoting Settlement Agreement, *supra* note 76, § 4.1(a)(i)).

⁷³¹ *Id.* at 19 n.47.

⁷³² *Id.*

⁷³³ *Id.*

⁷³⁴ *Id.*

⁷³⁵ *Id.*

⁷³⁶ *Id.* at 18.

⁷³⁷ Settlement Agreement, *supra* note 76, § 6.2(b).

of Directors might not adequately represent the true interests of many class members:

[T]he Library Associations are both authors and publishers of books, and thus fall within both sub-classes of plaintiffs. However, writing and publishing books is ancillary to the core mission of libraries – to provide the public with access to information. Tens of thousands of members of the Author Sub-Class are similarly situated to the Library Associations: teachers at all levels write books not for financial gain, but to support their core missions of education and scholarship. Many, if not most, of these class members care far more about the potential impact of the Settlement on the advancement of knowledge than about the modest license fees they may receive under the Settlement.⁷³⁸

The Library Associations, accordingly, argued that “many class members will not want the Registry to maximize its profits; rather, they will want the Registry to maximize public access to books.”⁷³⁹ The Registry will act as the agent for rightsholders whose books will be in Google’s database.⁷⁴⁰ Google is building its database by scanning books found in the collections of major research libraries.⁷⁴¹ The Google database, therefore, will reflect the nature of the research libraries’ collections.

The collections of research libraries are fundamentally different from the collection of a typical public library or the types of books sold in bookstores. Research libraries contain primarily scholarly books. Research libraries acquire popular books only if they are of scholarly interest. Thus, of the 45,429 titles a major distributor sold to research libraries in North America between July 1, 2007 and June 30, 2008, the distributor categorized only 1,572 as “popular:” “a work intended for a public library or a browsing collection.” The distributor labeled none of these 45,429 titles as “geared toward a wide readership,” and classified 32,009 titles as aimed at “specialists:” “those who have a familiarity with the subject matter and knowledge of the conventions of the field.” Similarly, 12,297 of these titles were published by university or other non-profit publishers. While these books are all in print, the proportions likely are similar for the older, out-of-print books in the research libraries’ collections. That is, probably less than 10% of the books are of a popular nature, and more than 25% of the books were published by university or other non-profit publishers.⁷⁴²

⁷³⁸ Library Association Comments, *supra* note 707, at 18 (citing Letter from Pamela Samuelson to the Honorable Denny Chin, *supra* note 678).

⁷³⁹ *Id.*

⁷⁴⁰ See Settlement Agreement, *supra* note 76, § 6.2(b); Library Association Comments, *supra* note 707, at 16–17.

⁷⁴¹ Library Association Comments, *supra* note 707, at 3 n.4.

⁷⁴² Supplemental Library Association Comments on the Proposed Settlement at 11–12, Authors Guild v. Google, Inc., No. 05 Civ 8136 (DC) (S.D.N.Y. Sept. 2, 2009) [hereinafter Supplemental Library Association Comments] (footnote omitted).

To ensure that the Registry's Board adequately reflects the perspectives of academic authors, the Library Associations contended that

[a]ny class member must have the ability to request this Court to review the procedures by which the Registry selects members of its board of directors, and to evaluate whether the Registry properly considers the interests of all class members in its decision-making.⁷⁴³

The Library Associations also requested the court to regulate the Registry on matters other than the price of the institutional subscription.⁷⁴⁴ The Library Associations observed that although the settlement permits the Registry to license the rights of registered rightsholders to third parties, the settlement does not require it to do so.⁷⁴⁵ "Nor does [the settlement] provide standards to govern the terms by which the Registry would license these rights. This means that the Registry could refuse to license the rights to Google competitors on terms comparable to those provided to Google under the Settlement."⁷⁴⁶ Accordingly, "[a]ny entity must have the ability to request this Court to review the Registry's refusal to license copyrights to books on the same terms available to Google."⁷⁴⁷

3. *Pro-Competitive Effects of the Settlement*

Complaints about the absence of competition to Google and the Registry under the settlement prompted both the Antitrust Division of the Department of Justice and several states attorney general to launch investigations of the proposed settlement.⁷⁴⁸ These investigations were pending at the writing of this article.⁷⁴⁹

At the same time, some argued that the settlement actually would promote competition. First, by making the out-of-print books commercially available, the settlement would encourage competition between out-of-print books and in-print books.⁷⁵⁰ Second, by establishing Google as a major retailer of books, the settlement

⁷⁴³ Library Association Comments, *supra* note 707, at 20.

⁷⁴⁴ *Id.* at 19–20.

⁷⁴⁵ *Id.* at 17.

⁷⁴⁶ *Id.* at 17–18.

⁷⁴⁷ *Id.* at 20.

⁷⁴⁸ *See, e.g.*, Letter from William F. Cavanaugh, Deputy Assistant Attorney Gen., Department of Justice, Antitrust Division, to the Honorable Denny Chin, U.S. Dist. Court for the S. Dist. of N.Y. (July 2, 2009). In a July 2, 2009 letter to Judge Chin, Deputy Assistant Attorney General William Cavanaugh informed the court that the United States had opened an antitrust investigation into the proposed settlement. *Id.* The letter stated that the Justice Department had not yet reached any conclusions about "what impact this settlement may have on competition. However, we have determined that the issues raised by the proposed settlement warrant further inquiry." *Id.* Accordingly, the Department had issued civil investigative demands seeking documents and information from parties to the litigation. *Id.*

⁷⁴⁹ *See generally* Jerry A. Hausman & J. Gregory Sidak, *Google and the Proper Antitrust Scrutiny of Orphan Books*, 5 J. COMPETITION L. & ECON. 411 (2009) (providing a more detailed exploration of these antitrust questions). Whether the competition issues posed by the settlement raise actionable antitrust claims is beyond the scope of this article.

⁷⁵⁰ Ed Black, *Google Venture: No Violation of Copyright or Antitrust Laws*, HILL, June 10, 2009, <http://thehill.com/opinion/letters/7012-google-venture-no-violation-of-copyright-or-antitrust>

would create a significant competitor for Amazon.com, which some publishers believe acts as a monopsonist in that market.⁷⁵¹

Third, the competitive concern with the settlement is rooted in the assumption that many rightsholders will not register with the Registry. But what if many do? Moreover, the rightsholders with the most commercially valuable books are precisely those who are likely either to register with the Registry or to opt out of the settlement. Thus, the Registry may well have the ability to license to entities other than Google the rights to make available the text of a large number of books.⁷⁵² In other words, the settlement may enable other entities to compete with Google for the sale of individual out-of-print books as well as institutional subscriptions.⁷⁵³

Finally, Google and the class representatives argue that they built price discipline into the settlement.⁷⁵⁴ They claim that the free preview of up to 20% of a book, and the public access terminals in public libraries and higher education institutions that will provide free access to the full text of books, will limit the ability of the Registry and Google to extract monopoly rents through the institutional

laws. In July, 2009, the University of Michigan and Amazon.com announced that they would be making 400,000 public domain titles from the Michigan library collection available for purchase on a print-on-demand basis. Lynn Monson, *University of Michigan, Amazon Announce Book-Printing Deal*, MLIVE.COM, July 21, 2009, http://www.mlive.com/news/annarbor/index.ssf/2009/07/university_of_michigan_amazon.html. Many of these copies would be printed from scans made by Google and provided to Michigan in the course of the Library Project. *Id.*

⁷⁵¹ Mark Gimein, *In Defense of Google Books: Don't Listen to Dystopian Monopoly-Mongers*, BIG MONEY, June 23, 2009, <http://www.thebigmoney.com/articles/money-trail/2009/06/23/defense-google-books?page=full>.

⁷⁵² See Settlement Agreement, *supra* note 76, § 6.2(b); Library Association Comments, *supra* note 707, at 16–17.

⁷⁵³ CCIA described how the settlement could ease market entry: “Because the settlement is non-exclusive, potential Google competitors may take advantage of the Registry’s labors and license newly-clarified books for competing services.” Brief of CCIA, *supra* note 659, at 10. The Registry will also resolve “uncertain or gridlocked claims over works,” thereby reducing “the cost[] of licensing dormant yet non-orphaned works.” *Id.*; see also David Balto, *Booklovers Should Cheer Google’s Plan*, FIN. TIMES, June 24, 2009, http://www.ft.com/cms/s/0/8bf99ea8-6057-11de-a09b-00144feabdc0.html?ncklick_check=1 (arguing that the settlement will enhance competition and open new markets). In fact, at the September 10, 2009, House Judiciary Committee on the settlement, David Drummond, Google’s Chief Legal Officer, announced that for the out-of-print books (including orphan works) being made available through the Google Books settlement, Google will let any book retailer sell access to those books. Google will host the digital books online, and retailers such as Amazon, Barnes & Noble or your local bookstore will be able to sell access to users on any Internet-connected device they choose. *Digital Books Hearing*, *supra* note 666 (testimony of David Drummond, Senior Vice President of Corporate Development and Chief Legal Officer, Google, Inc.). Drummond stated that Google would split its 37% of the revenue from the sale with the retailer, with the retailer receiving a larger portion than Google. See *id.* James Grimmelman opined that “this resembles an affiliate marketing program; the service on offer is still fundamentally Google’s, although others may run the storefront.” James Grimmelman, *GBS: What Exactly Does Google’s Marketing Agreement Mean?*, LABORATORIUM, Sept. 10, 2009, http://laboratorium.net/archive/2009/09/10/gbs_what_exactly_does_googles_marketing_agreement. After the hearing, Amazon indicted that it had no interest in acting as Google’s reseller: “‘The Internet has never been about intermediation,’ said Paul Misener, Amazon’s vice president of global policy. ‘We’re happy to work with rights holders without anybody else’s help.’” Stephen Shankland, *Google Offers Rivals a Place in E-books Program*, CNET NEWS, Sept. 10, 2009, http://news.cnet.com/8301-30685_3-10349301-264.html?tag=newsEditorsPicksArea.

⁷⁵⁴ *Digital Books Hearing*, *supra* note 666 (testimony of David Drummond, Senior Vice President of Corporate Development and Chief Legal Officer, Google, Inc.).

subscriptions.⁷⁵⁵

B. Other Concerns

Many other concerns have been raised in connection with the settlement. This section briefly summarizes some of them.

1. Privacy

The settlement does not specify how Google and the Registry will protect user privacy.⁷⁵⁶ Because Google will provide consumers who have purchased a book with perpetual online access to the book, it must keep records to ensure that the consumer's access persists over time, particularly as the consumer uses different computers to access the book.⁷⁵⁷ But the settlement is silent concerning what information Google will retain concerning the consumer, how it will use the information, and what measures it will take to protect the information's security.⁷⁵⁸

The settlement also contains few details about user information in the institutional subscription context.⁷⁵⁹ Because only authorized users will be able to access the ISD, Google may have the ability to determine which user is accessing which book in the ISD. Moreover, the settlement states that when a user prints out pages of a book in the ISD, Google will include a visible watermark which displays encrypted session identifying information "which could be used to identify the authorized user that printed the material or the access point from which the material was printed."⁷⁶⁰ Here, too, the settlement does not indicate whether Google will retain this information, how it will use the information, and what measures it will take to protect the information's security.⁷⁶¹

The settlement's silence concerning user privacy contrasts with its detail concerning the measures Google and partner libraries must take to protect the security of their digital copies of books.⁷⁶² In the settlement negotiations, the class representatives evidently insisted on these measures to protect the security of digital

⁷⁵⁵ *Id.*

⁷⁵⁶ Brief *Amicus Curiae* of the Center for Democracy & Technology in Support of Approval of the Settlement and Protection of Reader Privacy at 4, *Authors Guild v. Google Inc.*, No. 05 Civ 8136 (DC) (S.D.N.Y. Sept. 4, 2009) [hereinafter Brief of the Center for Democracy & Technology].

⁷⁵⁷ Settlement Agreement, *supra* note 76, § 4.2. Amazon similarly retains records concerning a consumer's purchases of e-books for the Kindle to enable the consumer to re-download copies of all the books he purchased in the event he loses his Kindle. *See* Kindle (Global Wireless) License Agreement and Terms of Use, <http://www.amazon.com/gp/help/customer/display.html?ic=UTF8&nodeId=200399690> (last visited Dec. 4, 2009).

⁷⁵⁸ *See* Settlement Agreement, *supra* note 76, § 4.2.

⁷⁵⁹ *Id.*

⁷⁶⁰ *Id.* § 4.1(d).

⁷⁶¹ *Id.* Likewise, the settlement says nothing about user privacy in the public access service context. *Id.* § 4.8.

⁷⁶² *Id.* §§ 8.1, 8.2. These measures are discussed in the Michigan Cooperative Agreement. Michigan Cooperative Agreement, *supra* note 57, § 4.5.2.

copies of their books; but no one demanded protection of user privacy.⁷⁶³ Users of the services enabled by the settlement also cannot rely on competitive forces to preserve their privacy.⁷⁶⁴ In the online environment, competition is perhaps the most powerful force that can help to insure user privacy.⁷⁶⁵ If a user does not like one search engine firm's privacy policy, he can switch to another search engine.⁷⁶⁶ Similarly, a user has many choices among online retailers, email providers, social networks, and Internet access providers.⁷⁶⁷ The competitive pressure often forces at least a minimal level of privacy protection.⁷⁶⁸ However, with the services enabled by the settlement, there will be no competitive pressure protecting user privacy.⁷⁶⁹

In response to the concerns raised by libraries and others, Google on July 23, 2009, issued a statement about privacy and the settlement.⁷⁷⁰ Google stated that because the settlement had not yet been approved, and the services authorized by the agreement had not yet been built or even designed, "it's very difficult (if not impossible) to draft a detailed privacy policy."⁷⁷¹ Google added that

[w]hile we know that our eventual product will build in privacy protections – like always giving users clear information about privacy, and choices about what if any data they share when they use our services – we don't yet know exactly how all this will work. We do know that whatever we ultimately build will protect readers' privacy rights, upholding the standards set long ago by booksellers and by libraries whose collections are being opened to the public through this settlement.⁷⁷²

The statement linked to an "FAQ" which provided additional detail. In the FAQ, Google stated that "[i]mportant principles from our Google Privacy Policy would apply to this service, as with every Google service. For example, we will never sell personal information about our users. In fact, we will never share individual users' information at all unless the user tells us to . . ."⁷⁷³ Google made clear that it would not provide individual user data to the Registry. Google explained that is not required under the settlement to provide individual user data to the Registry; to the contrary, "the settlement specifies that in circumstances where the Registry seeks this data, it should use legal processes to do so."⁷⁷⁴ The Registry would receive

⁷⁶³ See Brief of the Center for Democracy & Technology, *supra* note 756, at 5.

⁷⁶⁴ *Id.* at 8–9.

⁷⁶⁵ Library Association Comments, *supra* note 707, at 13–14.

⁷⁶⁶ *Id.* at 14.

⁷⁶⁷ *Id.*

⁷⁶⁸ *Id.* "To be sure, there are switching costs, and many service providers have adopted a 'lowest common denominator' approach to user privacy." *Id.* at 14, n.35.

⁷⁶⁹ *Id.* at 14.

⁷⁷⁰ Posting of Dan Clancy, Engineering Director for Google Books, *The Google Books Settlement and Privacy*, to Google Public Policy Blog, <http://googlepublicpolicy.blogspot.com/2009/07/google-books-settlement-and-privacy.html> (July 23, 2009 1:35 PM EST).

⁷⁷¹ *Id.*

⁷⁷² *Id.*

⁷⁷³ Inside Google Books: The Google Books Settlement and Privacy: Frequently Asked Questions, <http://booksearch.blogspot.com/2009/07/google-books-settlement-and-privacy.html> (last visited Dec. 4, 2009).

⁷⁷⁴ *Id.*

aggregate usage data that is needed for the allocation of revenues under the settlement, but this data would not include information specific to individual users.

According to the FAQ, users of the preview function will not be required to have a Google account nor to provide personal information to Google; thus, “[a]nyone can freely search Google Books and preview up to 20% of most books without logging into Google.”⁷⁷⁵ With the institutional subscription, “users will be authenticated either using the student’s or the institution’s [Internet Protocol] address, or using other methods such as Shibboleth -- a technology that lets Google confirm that a user is part of a subscribing institution without knowing who that user is.”⁷⁷⁶ Likewise, for the free Public Access Service terminals in public libraries, “authentication will be based upon IP and Google will not have information about the individual user.”⁷⁷⁷ Accordingly, unless a user “chooses to log in to use a Google account, [Google] will not have any information that would uniquely identify them when they access Google Books from a public access terminal in a public library.”⁷⁷⁸

Finally, the FAQ explained why privacy provisions were not included in the settlement itself:

The settlement was a negotiation between the plaintiffs in the lawsuits and Google. It settles the copyright claims that were raised, and addresses the new uses authorized by the copyright holders under the settlement -- including detailed provisions for security of scanned files, and other considerations relevant to the lawsuit. It does not attempt to prescribe Google’s product plans beyond the points that related to this authorization⁷⁷⁹

In other words, the settlement resolved the copyright dispute between Google and the rightsholders, while privacy was a matter between Google and its users. Hence, Google asserted that privacy was beyond the scope of the settlement.⁷⁸⁰

On the same day that Google posted its statement concerning privacy and the settlement, the American Civil Liberties Union of Northern California, the Electronic Frontier Foundation, and the Samuelson Law, Technology & Public Policy Clinic at Berkeley Law School wrote a letter expressing concerns about user privacy in Google Book Search to Eric Schmidt, the Chairman and Chief Executive Officer of Google. In the letter, the groups urged Google to make commitments concerning: protection against disclosure, limited tracking, user control, and user transparency.⁷⁸¹ In response to the letter and a related blog posting, Dan Clancy, the Engineering

⁷⁷⁵ *Id.*

⁷⁷⁶ *Id.*

⁷⁷⁷ *Id.*

⁷⁷⁸ *Id.*

⁷⁷⁹ *Id.*

⁷⁸⁰ *See id.*

⁷⁸¹ Letter from Cindy Cohn, Legal Dir., Elec. Frontier Found., Nicole A. Ozer, Tech. and Civil Liberties Dir., ACLU of N. Cal., and Jennifer Lynch, Lecturer in Residence & Supervising Attorney, Samuelson Law, Tech. & Pub. Policy Clinic, to Eric Schmidt, Chairman and Chief Executive Officer, Google Inc. (July 23, 2009) (on file with The John Marshall Review of Intellectual Property Law), available at http://www.eff.org/files/gbs_privacy_schmidt_letter.pdf.

Director for Google Book Search, wrote that “none of the examples in the EFF post would be an issue with [the] book search offering.”⁷⁸²

On September 3, 2009, after continued pressure from the Federal Trade Commission, the Library Associations, and privacy advocates, Google posted a more formal privacy policy relating to Google Books in general and the services under the settlement in particular.⁷⁸³ First, the policy stated that all of the provisions of the main Google Privacy Policy apply to the Google Books service.⁷⁸⁴ Google explained that this meant that it would not share a user’s personal information with third parties, except in the narrow circumstances described in the Privacy Policy, such as emergencies or in response to valid legal process.⁷⁸⁵ Further, when a user employs Google Books, Google receives log information similar to what it receives in a Web Search.⁷⁸⁶ This includes: the query term or page request (which may include specific pages within a book the user is browsing), Internet Protocol (“IP”) address, browser type, browser language, the date and time of the request and one or more cookies that may uniquely identify the user’s browser.⁷⁸⁷

Google also explained that other optional services might require a Google Account and might “receive and store information from Google Books” in association with a user’s account.⁷⁸⁸ Google stated that unless a user is “logged in and using such a service,” her activity on Google Books will not be associated with her Google Account.⁷⁸⁹ Further, Google Books features that store information with an Account will show the user the information she has stored and allow her to delete it unless Google is required to keep it by law or for business purposes such as fraud investigations.⁷⁹⁰ Google can use the information it stores for the “purposes discussed in the main Google Privacy Policy, including to improve . . . services and report on aggregate user trends.”⁷⁹¹ Google further stated that “[u]sage data from the Books product is subject to the same security standards that are outlined in [its] main Privacy Policy.”⁷⁹²

Next, Google described policy practices specific to the current Google Books product.⁷⁹³ It noted that “Google Books operates a lot like Web Search and other basic Google web services, so there are relatively few privacy practices that are unique to the Google Books product.”⁷⁹⁴ The unique practices include using log information (including IP address and cookie from the user’s browser but not including user account information) to enforce security limits set forth in license arrangements with rightsholders, such as restrictions on the number of pages users

⁷⁸² Posting of Daniel Clancy to Read20 List (July 24, 2009) (on file with The John Marshall Review of Intellectual Property Law).

⁷⁸³ Google Books Privacy Policy, <http://books.google.com/googlebooks/privacy.html> (last visited Dec. 4, 2009).

⁷⁸⁴ *Id.*

⁷⁸⁵ *Id.*

⁷⁸⁶ *Id.*

⁷⁸⁷ *Id.*

⁷⁸⁸ *Id.*

⁷⁸⁹ *Id.*

⁷⁹⁰ *Id.*

⁷⁹¹ *Id.*

⁷⁹² *Id.*

⁷⁹³ *Id.*

⁷⁹⁴ *Id.*

can see from a particular book.⁷⁹⁵ Google also described special legal privacy protections that may apply in cases where law enforcement or civil litigants ask Google for information about what books an individual user has looked at.⁷⁹⁶ Google noted that:

Some jurisdictions have special "books laws" saying that this information is not available unless the person asking for it meets a special, high standard - such as proving to a court that there is a compelling need for the information, and that this need outweighs the reader's interest in reading anonymously under the United States First Amendment or other applicable laws. Where these "books laws" exist and apply to Google Books, we will raise them. We will also continue our strong history of fighting for high standards to protect users, regardless of whether a particular "books law" applies. In addition, we are committed to notifying the affected user if we receive such a request that may lead to disclosure of their information; if we are permitted to do so by law and if we have an effective way to contact the user, we will seek to do so in time for the user to challenge the request.⁷⁹⁷

Google then addressed practices specific to services proposed under the settlement.⁷⁹⁸ The Registry will receive aggregate, non-personally identifiable information about usage of Google Books.⁷⁹⁹ Additionally, "the Registry will not have access to individual user information unless it goes through proper legal processes or in other narrow circumstances set out in the Privacy Policy."⁸⁰⁰ Google will not require users to create Google accounts, or register their identity with Google, in order to use the Preview Service, the institutional subscription, or the Public Access Service at public libraries.⁸⁰¹ Institutional subscribers will be able to authenticate users based on the user's or the institution's IP address, or using other technologies that allow Google to confirm that a user is part of a subscribing institution without knowing who that user is.⁸⁰² With respect to the Public Access Service terminals in public libraries, Google will receive IP address and cookie information that may identify internet connection or browser, but not the actual user.⁸⁰³

Google confirmed that users will need to have Google Accounts in order to purchase books because such information is needed to provide access to the user who bought the book.⁸⁰⁴ However, Google plans to limit the information (such as book titles) available to credit card companies about book purchases, and to enable users to delete or disassociate the titles of books purchased from their Google Account.⁸⁰⁵

⁷⁹⁵ *Id.*

⁷⁹⁶ *Id.*

⁷⁹⁷ *Id.*

⁷⁹⁸ *Id.*

⁷⁹⁹ *Id.*

⁸⁰⁰ *Id.*

⁸⁰¹ *Id.*

⁸⁰² *Id.*

⁸⁰³ *Id.*

⁸⁰⁴ *Id.*

⁸⁰⁵ *Id.*

Google further stated that any publicly available product authorized by the settlement will have a privacy policy comparable to policies currently available in Google's Privacy Center.⁸⁰⁶ Google observed that

that policy, in combination with the main Google Privacy Policy, will explain what information Google receives and stores when [a user employs] the product, including any unique identifiers such as [user] account information, what [Google] may do with that information, what security standards protect it against unauthorized access, and what choices [the user has] about data provided to Google when [the user employs] the product as well as information about [Google's] data retention practices.⁸⁰⁷

On September 3, 2009, Jane Horvath, Google's Global Privacy Counsel, posted a blog on the Google Books privacy policy.⁸⁰⁸ She stated that "[i]t's important to note that like all of our privacy policies, this one is legally enforceable by the FTC . . ."⁸⁰⁹ The blog also referenced an exchange of letters between Jane Horvath and David C. Vladeck, the Director of the Federal Trade Commission's Bureau of Consumer Protection, concerning this privacy policy.⁸¹⁰

2. *Intellectual Freedom.*

Settlement critics have observed that the absence of privacy protection "could have a chilling effect on a user's right to read because the user might fear the third party monitoring of his or her lines of inquiry."⁸¹¹ The settlement could stifle

⁸⁰⁶ *Id.*

⁸⁰⁷ *Id.*

⁸⁰⁸ Posting of Jane Horvath, *An Update on Google Books and Privacy*, to Google Public Policy Blog, <http://googlepublicpolicy.blogspot.com/2009/09/update-on-google-books-and-privacy.html> (Sept. 3, 2009 6:59 PM EST).

⁸⁰⁹ *Id.*

⁸¹⁰ *Id.*; see Letter from David C. Vladeck, Dir. Bureau of Consumer Prot., Fed. Trade Comm'n, to Jane Horvath, Global Privacy Counsel, Google, Inc. (Sept. 2, 2009) (on file with The John Marshall Review of Intellectual Property Law), available at <http://www.ftc.gov/os/closings/090903horvathletter.pdf>. A group of authors and publishers filed an objection that argued that "the lack of privacy protections in the current settlement will deter readers and thereby harm their expressive and financial interests in sustaining and building a readership that browses, reviews, and purchases their works." Privacy Authors and Publishers' Objection to the Proposed Settlement at 1, *Authors Guild v. Google, Inc.*, No. 05 Civ 8136 (DC) (S.D.N.Y. Sept. 8, 2009). These rightsholders claimed that Google's new privacy for Book Search, as well as its main privacy policy, can be revised by Google at any time so at best they represent Google's current position about user privacy. More importantly, if this Court does not retain jurisdiction over these privacy policies, they may not be enforceable by authors, publishers, or readers using Google Book Search even when they are clearly violated, at least in the eyes of some courts.

Id. at 7 (citations omitted). Accordingly, these rightsholders urged the Court not to "approve the settlement until privacy protections . . . are put into place, either through the terms of the Settlement itself or through an enforceable commitment by Google backed by the ongoing jurisdiction of this Court." *Id.* at 3.

⁸¹¹ Library Association Comments, *supra* note 707, at 14.

intellectual freedom in another way as well. The settlement requires Google to provide free search (including the permitted previews), the public access service, and institutional subscriptions for only 85% of the in-copyright, out-of-print books it has scanned.⁸¹² An unintended consequence of this provision is that it may allow Google to exclude over a million books from the ISD. While Google on its own might not choose to exclude books, it probably will find itself under pressure from state and local governments or interest groups to censor books that discuss topics such as alternative lifestyles or evolution. After all, the settlement will allow minors to access up to 20% of the text of millions of books from the computers in their bedrooms and to read the full text of these books from the public access terminals in their libraries.⁸¹³ Although public libraries have often contended with demands to eliminate or restrict access to specific books, any collection management decision by a particular librarian affected only that community.⁸¹⁴ Here, by contrast, if Google bends to political pressure to remove a book, it will suppress access to the book throughout the entire country.⁸¹⁵

Similarly, foreign governments probably will attempt to coerce Google to exclude books the governments consider embarrassing or threatening. On numerous occasions, foreign governments have pressured Google and other search engine firms to remove links to websites to which the governments objected.⁸¹⁶ For example, China has demanded the removal of links to sites promoting free speech and civil liberties in Tibet;⁸¹⁷ Thailand has required the removal of websites critical of the King of Thailand;⁸¹⁸ and Turkey has requested the removal of sites that discuss the Armenian genocide.⁸¹⁹ It is safe to assume that these governments might attempt to

⁸¹² Settlement Agreement, *supra* note 76, §§ 4.3, 4.8(a), 7.2(e)(i)(1)–(2). If Google fails to meet this requirement within five years of the Settlement's effective date, the participating libraries and the Registry may engage a third party to provide these services, using the digital copies Google provided to the libraries. *Id.* § 7.2(e)(i). This provision is intended to force Google to roll out the services under the Settlement in a timely manner. *Id.*

⁸¹³ See Settlement Agreement, *supra* note 76, §§ 4.3(b)(i)(1), 4.8(a).

⁸¹⁴ See Mark S. Nadel, *The First Amendment's Limitations on the Use of Internet Filtering in Public and School Libraries: What Content Can Librarians Exclude?*, 78 TEX. L. REV. 1117, 1127 (2000) (“[L]ibraries . . . compile their collections based on the roles they choose for serving the needs, interests, and priorities of their community.”).

⁸¹⁵ See Settlement Agreement, *supra* note 76, § 3.7(e).

⁸¹⁶ See, e.g., *The Internet in China: A Tool for Freedom or Suppression?: Joint Hearing Before the H. Comm. on International Relations*, 109th Cong. 5–6 (2006) [hereinafter *The Internet in China Hearing*] (statement of Christopher H. Smith, Chairman, Subcomm. On Africa, Global Human Rights and International Operations), available at <http://www.foreignaffairs.house.gov/archives/109/26075.pdf> (stating that United States companies like Google, Yahoo, Microsoft and Cisco Systems have “aided and abetted” the Chinese government in monitoring, filtering, and blocking content).

⁸¹⁷ *Id.* at 213 (statement of T. Kumar, Advocacy Director for Asia and the Pacific, Amnesty International USA) (noting that filtering software in China blocks key words such as “Tibet” and “human rights”).

⁸¹⁸ See OPENNET INITIATIVE, THAILAND 2–3 (2007), available at <http://opennet.net/sites/opennet.net/files/thailand.pdf> (discussing “lèse majesté” or inflammatory comments regarding the king as a basis for the blocking and removal websites).

⁸¹⁹ The Volokh Conspiracy, *No First Amendment Problem With Excluding Turkey-Friendly Materials from an Armenian Genocide Curriculum*, <http://volokh.com/posts/1245106017.shtml> (June 15, 2009, 6:46 PM).

pressure Google to exclude politically offensive books from the ISD.⁸²⁰ To preempt anticipated complaints, Google might err on the side of caution and proactively suppress entire categories of books. This, in turn, could deprive students, scholars, journalists and policymakers of access to historically significant materials.

To address this concern, the Library Associations argued to the court that “any user must have the ability to request th[e] Court to direct Google to provide the user with a list of books excluded from any of its services for editorial or non-editorial reasons, and an explanation of why it was excluded.”⁸²¹ Attachment A to the Amendment Agreement between Google and Michigan, signed two weeks after the Library Associations’ filing, requires Google to provide partner libraries with information concerning whether a book is being excluded from any display uses for editorial or non-editorial reasons, and if for non-editorial reasons, whether the exclusion was for quality, technical, or legal reasons.⁸²² A library in turn may disclose to the public the identity of books excluded for editorial reasons.⁸²³

The Library Associations contended that the settlement also may not sufficiently safeguard intellectual freedom with respect to the Research Corpus.⁸²⁴

The settlement allows Google and two institutions to host the set of all digital copies made by Google in the Library Project for purposes of “non-consumptive research” by “qualified users.” Non-consumptive research involves computational analysis of the books, and does not include research relating to the intellectual content of the books. The host site has the authority to determine whether a person meets the criteria for a qualified user, and whether her research meets the standards for non-consumptive research. However, the settlement does not provide a mechanism for a researcher to challenge a host site’s rejection of her qualifications or her proposed research agenda. Thus, the host sites could privilege particular lines of inquiry while hampering others, thereby shaping the direction of scholarly research in certain disciplines.⁸²⁵

Based on this concern, the Library Associations argued to the court that “[a]ny researcher must have the ability to request th[e] Court to review the reasonableness of a Research Corpus host site’s refusal to allow the researcher to conduct a research

⁸²⁰ See *The Internet in China Hearing*, *supra* note 816, at 188 (statement of Tom Malinowski) (contending that if China succeeds in “bend[ing] Internet providers to its will,” other repressive governments “will insist on the same degree of compliance”). Even though Google may provide access to the services permitted under the Settlement only to users in the United States, users in other countries can employ technologies to deceive Google’s servers concerning their location. See, e.g., *id.* at 38–39 (statement of James R. Keith, Senior Advisor for China and Mongolia, Bureau of East Asian and Pacific Affairs, U.S. Dept. of State) (noting an anti-censorship program called “Anonymizer” would allow safe and filter-free searching of the Internet by savvy Chinese Internet users). Thus, foreign governments would seek to eliminate certain books from the ISD to prevent their citizens from reading them. See *id.* at 188.

⁸²¹ Library Association Comments, *supra* note 707, at 20.

⁸²² Amended Michigan Cooperative Agreement, *supra* note 450, at Attach. A, ¶ 10(e).

⁸²³ *Id.*

⁸²⁴ Library Association Comments, *supra* note 707, at 16.

⁸²⁵ *Id.*

project at the host site.”⁸²⁶

3. Foreign Rightsholders

Non-United States rightsholders have both principled and practical concerns with the settlement.⁸²⁷ As a matter of principle, they resent Google’s use of their books without their permission, and the class action mechanism that would enable Google to do so.⁸²⁸ Indeed, some have suggested that forcing a non-United States author to opt out of the settlement to prevent Google’s use is a “formality” prohibited by the Berne Convention and the TRIPs Agreement.⁸²⁹ However, because the opt-out arises from a general procedural requirement in the context of a specific copyright enforcement litigation, the World Trade Organization is unlikely to treat the opt-out as a formality.⁸³⁰ Requiring a rightsholder to opt-out of the settlement of an infringement action in order to preserve his right to sue Google independently is no more a formality than requiring an owner to file a complaint and comply with the other Federal Rules of Civil Procedure to enforce his copyrights. Stated differently, the opt-out is not a formality that creates a copyright.⁸³¹ Rather, it is a procedure the rightsholder must follow if he wants to reject one remedy in favor of another.

⁸²⁶ *Id.* at 20.

⁸²⁷ See *Digital Books Hearing*, *supra* note 666 (testimony of Mary Beth Peters, Register of Copyrights). Many foreign publishers filed objections with the court, including over 90 from Germany, 15 from Sweden, 25 from the Netherlands. See *The Public Index*, *supra* note 238. Also filing oppositions were associations representing publishers in Japan, Austria, Denmark, Finland, the Federal Republic of Germany, Norway, Sweden, and Switzerland. *Id.* Numerous foreign authors and associations of authors filed oppositions as well. *Id.* Additionally, the Federal Republic of Germany and the French Republic filed amicus briefs opposing the settlement. See *id.* As discussed in Part VI, the Amended Settlement Agreement excludes books published outside of the United States, with the exception of books published in the United Kingdom, Canada, and Australia. Accordingly, this set of concerns no longer applies to most foreign rightsholders, other than rightsholders of books published in these three countries.

⁸²⁸ See, e.g., *Objection of the Federal Republic of Germany*, *supra* note 663, at 4–5. Register Peters stated that “[w]hile it would be appropriate to allow foreign nationals to participate voluntarily in licensing programs that may be developed by the [Registry] or other collectives, they should not be automatically included in the terms of the settlement.” *Proposed Google Book Settlement Hearing*, *supra* note 666, at 8 (statement of Marybeth Peters, Reg. of Copyrights, United States Copyright Office). The Copyright Office further stated “to the extent foreign works are implicated at all, they should have been published in the United States and registered with the U.S. Copyright Office.” *Id.* at 9.

⁸²⁹ *Id.* at 12. Under the Berne Convention and the TRIPs Agreement, a copyright comes into existence at the moment of creation, and the author need not follow formal statutory procedures such as attaching a copyright notice to the work or filing a registration with a government office. Berne Convention for the Protection of Literary and Artistic Works, art. 5(2), Sept. 9, 1886, S. Treaty Doc. No. 99-27, 1161 U.N.T.S. 3, available at http://www.wipo.int/export/sites/www/treaties/en/ip/berne/pdf/trtdocs_wo001.pdf; Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, § 1, art. 9(1), Legal Instruments—Results of the Uruguay Round, 33 I.L.M. 1125 (1994), available at http://www.wto.int/english/docs_e/legal_e/27-TRIPS.pdf.

⁸³⁰ See Settlement Agreement, *supra* note 76, § 1.98 (defining the opt-out deadline).

⁸³¹ See *Digital Books Hearing*, *supra* note 666 (testimony of David Drummond, Senior Vice President of Corporate Development and Chief Legal Officer, Google, Inc.). Sam Ricketson, one of the leading experts on the Berne Convention, concluded that the settlement and Rule 23 “fall[]

A related matter of principle is that foreign rightsholders as a group are less likely to register their claims with the Registry, which means that Google and registered rightsholders are more likely to profit from the use of their books.⁸³² The Registry will escrow funds due to an unregistered rightsholder for five years.⁸³³ If the rightsholder does not register a claim within the five years, the Registry will retain some funds to cover its operating costs, and disburse the rest to registered rightsholders and charities.⁸³⁴ Of course, the rightsholder can cure the perceived unfairness by registering her claim.⁸³⁵

A non-United States rightsholder may have the practical concern that users outside the United States will circumvent the geographical restrictions placed by Google and access his content.⁸³⁶ Such access is unlikely to have any negative financial impact on the rightsholder. The non-United States user at most will have free access only to the preview.⁸³⁷ To get access to the full text, the user will have to purchase the book, in which case the rightsholder will benefit if he registers with the Registry.⁸³⁸ Furthermore, the book will be available for consumer purchase only if it is out-of-print, meaning that the author currently is receiving no revenue from its sale.⁸³⁹

On the other hand, non-United States copyright rightsholders might see the settlement as a model for similar settlements in their countries, whereby they can receive some revenue for out-of-print books. And as lovers of books, they might view

squarely within the province allocated exclusively to the law of the protecting country (the USA) under both arts 5(1) and (2) of Berne, and no complaint of Berne non-compliance can arise.” Sam Ricketson, *Memorandum of Advice: The Compatibility of the Proposed Google Settlement with the Provisions of the Berne Convention* 15 (Sept. 16, 2009), <http://thepublicindex.org/docs/commentary/Ricketson.pdf>.

⁸³² Objection of the Federal Republic of Germany, *supra* note 663, at 21.

⁸³³ *See* Settlement Agreement, *supra* note 76, § 6.3(a)(i).

⁸³⁴ *See id.*

⁸³⁵ Objection of the Federal Republic of Germany, *supra* note 663, at 6 (arguing that Google will use the “fair use” argument that it used defending the Authors’ Guild case). At a hearing on the settlement hosted by the European Commission in Brussels on September 7, Google made two announcements concerning foreign rightsholders. First, Google noted that the Authors Guild and AAP had each committed to reserve one of their four seats on the Registry board for foreign rightsholders. Second, Google stated that if a book was commercially available outside the United States, Google would consider it as commercially available under the settlement, and apply the default rules for commercially available books. The settlement states that “commercially available” means “that the Rightsholder of such Book . . . is, at the time in question, offering the Books . . . for sale new through one of more then-customary channels of trade in the United States.” Settlement Agreement, *supra* note 76, § 1.28. The scope of this definition was unclear. If a Dutch publisher offered a book for sale through a website hosted in the Netherlands, and would ship the book to a purchaser in the United States, was the book “commercially available” under the settlement? Was the publisher offering it for sale through a customary channel of trade in the United States? Google asserted that this announcement was not a concession to foreign rightsholders, but simply a clarification of the meaning of the settlement agreement.

⁸³⁶ *See* Objection of the Federal Republic of Germany, *supra* note 663, at 6.

⁸³⁷ *See* Settlement Agreement, *supra* note 76, § 4.3(a).

⁸³⁸ *Id.* § 4.2.

⁸³⁹ *See* Objection of the Federal Republic of Germany, *supra* note 663, at 7. The non-United States user will not have access to books through an institutional subscription because only United States institutions can purchase an institutional subscription. *Id.* at 9. The only exception would be a non-United States user who is an appropriate individual within a subscriber institution, *e.g.*, a non-United States student of a university with an institutional subscription. *See id.*

the settlement as a means of making books more useful and relevant to a new generation that obtains most of its information from websites.⁸⁴⁰

C. The Library Associations' Bottom Line

At this point, the level of demand for the out-of-print books available through the Consumer Purchase service cannot be determined with any certainty.⁸⁴¹ These books, after all, are out-of-print, which generally means that their publishers have concluded that the demand for them is insufficient to justify the cost of an additional print run. On the other hand, the likely demand among research libraries for an institutional subscription is high; faculty and students performing serious research can be expected to desire the ability to search and read the full text of out-of-print books.⁸⁴² This means that libraries can be expected to be among the primary fee-paying users of the services enabled by the settlement. Accordingly, the court and other policymakers should pay special attention to the perspectives of libraries on the approval and implementation of the settlement.

In the introduction to their comments, the Library Associations stated:

The Library Associations do not oppose approval of the Settlement. The Settlement has the potential to provide unprecedented public access to a digital library containing millions of books. Thus, the Settlement could advance the core mission of the Library Associations and their members: providing patrons with access to information in all forms, including books. However, the digital library enabled by the Settlement will be under the control of Google and the Registry. Moreover, the cost of creating such a library and Google's significant lead time advantage suggest that no other entity will create a competing digital library for the foreseeable future.

The Settlement, therefore, will likely have a significant and lasting

⁸⁴⁰ See generally Int'l Fed'n of Library Ass'ns & Insts., *IFLA Position on the Google Book Settlement*, Aug. 28, 2009, <http://www.ifla.org/files/clm/statements/ifla-google-position.pdf> [hereinafter *IFLA Position*] (discussing the benefits of digitization of books). The International Federation of Library Associations and Institutions (IFLA) on August 28, 2009, stated that it "hopes that the proposed settlement will serve as the beginning of a fruitful cooperation that will benefit the millions of users whom libraries serve throughout the world, bringing us closer to the achievement of our goal of providing equitable access to information." *Id.* at 1. IFLA recognized that the expanded services permitted under the settlement could be provided only to users in the United States. *Id.* IFLA further recognized that "[t]he expanded services would be available to users located in countries outside USA only if Google reaches settlements with rights owner's organisations on a country-by-country basis." *Id.* This would depend "on the copyright legislation of the countries - e.g., whether their laws allow for class actions or extended collective licensing, or whether they have collecting societies or other organisations with sufficiently broad legal authority to enter into an agreement with Google." *Id.* IFLA expressed concern "that if the Google settlement is approved in the United States and if Google is not able or willing to reach agreements with rights holders in other countries, the consequence will be an ever-widening inequality in access to books in digital format . . ." *Id.*

⁸⁴¹ See *id.* at 2 (commenting that some experts estimate the cost at \$750 million for scanning 30 million books).

⁸⁴² Library Association Comments, *supra* note 707, at 3.

impact on libraries and the public, including authors and publishers. But in the absence of competition for the services enabled by the Settlement, this impact may not be entirely positive. The Settlement could compromise fundamental library values such as equity of access to information, patron privacy, and intellectual freedom. In order to mitigate the possible negative effects the Settlement may have on libraries and the public at large, the Library Associations request that this Court vigorously exercise its jurisdiction over the interpretation and implementation of the Settlement. Indeed, in its order approving the Settlement, the Court should make clear that it intends to oversee the Settlement closely.⁸⁴³

In the concluding paragraphs of their comments, the Library Associations expressed similar sentiments:

In these comments, the Library Associations have identified certain foreseeable problems that may require this Court's intervention in the future. The Settlement, however, is potentially so far-reaching that its full implications are unknowable at this time. While the Settlement's impact might be limited to the creation of a research tool of use only to serious scholars, the Settlement might also lead to a restructuring of the publishing industry and a dramatic change to the nature of libraries. The Court should be prepared to exercise whatever oversight is necessary, for as long as necessary, to maximize the public benefit from the services enabled by the Settlement.⁸⁴⁴

Much of the negative commentary on the settlement has a utopian quality. Many critics measure the settlement against a digital library created and maintained in an idealized manner, without regard to the realities on the ground.⁸⁴⁵ In contrast, the members of the Library Associations have patrons to serve and budgets to meet.⁸⁴⁶ When assessing the settlement, they asked a series of questions. Will the settlement enable services patrons demand? Could these services come into existence in the foreseeable future in a manner other than a class action settlement? Could the settlement be restructured to permit more competition without causing the settlement to collapse? Would a differently structured settlement actually lead to more competition? In the absence of competition, how can the prices of the institutional subscription be kept affordable? The answers to these questions led the Library Associations to conclude that the only practical way forward to the objective of a universal digital library was strict judicial supervision of the existing settlement.⁸⁴⁷

⁸⁴³ *Id.* at 2.

⁸⁴⁴ *Id.* at 20–21.

⁸⁴⁵ See Statement of Interest of the United States of America Regarding Proposed Class Settlement at 6–10, *Authors Guild. v. Google*, No. 05 Civ 8136 (DC), 2009 WL 3045979 (S.D.N.Y. Sept. 18, 2009) [hereinafter Statement of Interest of the United States of America] (stating that these concerns are “more theoretical than real”).

⁸⁴⁶ See Library Association Comments, *supra* note 707, at 9–10.

⁸⁴⁷ *Id.* at 20–21. The Library Associations reiterated these points in a July 29, 2009, letter to William F. Cavanaugh, Deputy Assistant Attorney General in the Antitrust Division of the U.S.

VI. THE AMENDED SETTLEMENT AGREEMENT

A. *The United States' Statement of Interest*

On September 18, 2009, the path of the Google Library Project took another sharp turn: the United States Department of Justice filed a statement with the court presiding over the settlement, advising it to “reject the Proposed Settlement in its current form and encourage the parties to continue negotiations to modify it so as to comply with Rule 23 and the copyright and antitrust laws.”⁸⁴⁸ The Statement reiterated many of the concerns identified above regarding the representation of absent rightsholders and the lack of competition.⁸⁴⁹ The Statement contended that “the owners of orphan works are an incredibly diverse group,” and that the settlement pits their interests against the interests of known rightsholders.⁸⁵⁰ The Statement further raised concerns with respect to the adequacy of representation of the foreign rightsholders.⁸⁵¹

Turning to competition issues, the Statement conceded that the Department of Justice’s investigation was not yet complete, and that “the United States cannot now state with certainty whether the Proposed Settlement violates the antitrust laws in any respect.”⁸⁵² However, “the Department’s views on certain core issues are sufficiently well developed that articulating them now may be beneficial to the Court in its consideration of the Proposed Settlement and to the parties in their continuing negotiations regarding possible modifications.”⁸⁵³ The Statement opined that the settlement “appears to give book publishers the power to restrict price

Department of Justice, following up on a meeting the Library Associations had with Antitrust Division staff on May 27, 2009. Letter from Mary Ellen Davis, Executive Dir., Ass’n of Coll. & Research Libraries, Keith Michael Fiels, Executive Dir., Am. Library Ass’n, Charles B. Lowry, Executive Dir., Ass’n of Research Libraries, to William F. Cavanaugh, Deputy Assistant Attorney Gen., Antitrust Division, U.S. Dep’t of Justice (July 29, 2009) (on file with The John Marshall Review of Intellectual Property Law). Furthermore, the Library Associations urged the Division to take a proactive role in the implementation of the Settlement:

During our meeting, we mentioned that the settlement agreement was in essence a “*de facto* consent decree.” We now believe that the Division should treat the settlement, if approved, as a consent decree to an antitrust action it brought. It should monitor the parties’ compliance with the settlement’s provisions as it would monitor the conduct of parties under an antitrust consent decree, and it should request the court to take action when it concludes that the parties have not met their obligations under the settlement.

Id. On September 2, 2009, the Library Associations filed supplemental comments with the court presiding over the settlement to address developments that had arisen since the Library Associations filed their initial comments with the court on May 4, 2009. Supplemental Library Association Comments, *supra* note 742, at 1. These developments did not change the Library Associations’ position on the settlement: “to prevent the possible negative effects the Settlement may have on equity of access to information, patron privacy, and intellectual freedom, this Court must regulate the conduct of the Book Rights Registry (Registry) and Google under the Settlement.” *Id.*

⁸⁴⁸ Statement of Interest of the United States of America, *supra* note 845, at 27.

⁸⁴⁹ See discussion *supra* Part V.

⁸⁵⁰ Statement of Interest of the United States of America, *supra* note 845, at 8.

⁸⁵¹ *Id.* at 8, 11–13.

⁸⁵² *Id.* at 16.

⁸⁵³ *Id.*

competition.”⁸⁵⁴ Additionally, “other digital distributors may be effectively precluded from competing with Google in the sale of digital library products and other derivative products to come.”⁸⁵⁵

The Statement noted that the parties were negotiating modifications to the settlement to address the concerns raised by objectors and the United States in its discussion with the parties.⁸⁵⁶ Further, the parties had notified the court of these discussions, and of the possibility that they would present a modified version of the settlement in the future.⁸⁵⁷ While the United States recognized that it was up to the parties to decide how to modify the settlement, it provided a detailed list of suggestions.⁸⁵⁸ It stated that “changing the forward-looking provisions of the current Proposed Settlement applicable to out-of-print rightsholders from an opt-out to an opt-in would address the bulk of the Rule 23 issues raised by the United States.”⁸⁵⁹ The United States acknowledged that “[s]uch a revision would, of course, not give Google immediate authorization to use all out-of-print works beyond the digitization and scanning which is the foundation of the plaintiffs’ Complaint in this matter.”⁸⁶⁰ Thus, the United States urged the parties to consider “[a] settlement that simply authorized Google to engage in scanning and snippet displays”⁸⁶¹

In other words, the United States encouraged the parties to take the Library Project back to where it started: an index with snippet displays of search results. The institutional subscription and consumer purchase would be available only with respect to books whose rightsholders had opted-in for such access.⁸⁶² Observing that Google had suggested that the vast majority of known authors and publishers of out-of-print works who had received notice of the settlement would wish to be bound by it, the United States opined that “creating an opt-in mechanism would not seem to work a significant hardship for a broad category of affected works.”⁸⁶³ This is a complete non-sequitor. Google’s belief that most known rightsholders would not oppose the settlement does not mean that both the known and the unknown rightsholders are likely to opt-in to an electronic distribution system. Given the small amount of probable compensation, many rightsholders might not bother to file claims with the Registry.⁸⁶⁴ Moreover, because most of these books currently have no economic value, the heirs of the authors of many of these books do not even know that they are rightsholders. Accordingly, an opt-in institutional subscription database would probably be far less comprehensive, and thus far less useful to serious research, than the institutional subscription database proposed under the settlement.

The Statement also suggested that if unclaimed profits were devoted entirely to searching for the rightsholders of unclaimed books, these newly found rightsholders

⁸⁵⁴ *Id.*

⁸⁵⁵ *Id.*

⁸⁵⁶ *Id.* at 1.

⁸⁵⁷ *Id.*

⁸⁵⁸ *Id.* at 13–16.

⁸⁵⁹ *Id.* at 13–14.

⁸⁶⁰ *Id.* at 14.

⁸⁶¹ *Id.* at 15.

⁸⁶² *See id.* at 14–15.

⁸⁶³ *Id.* at 14.

⁸⁶⁴ *See* Settlement Agreement, *supra* note 76, § 2.1(b).

might opt-in to full-text display services such as the institutional subscription or consumer purchase.⁸⁶⁵ The United States, however, failed to appreciate the cost of identifying and locating the rightsholders of millions of books.⁸⁶⁶ Additionally, in the absence of a robust institutional subscription database or consumer purchase service, the Registry will have no profits to devote to searching for the absent rightsholders.⁸⁶⁷

The Statement asserted that the “risk of market foreclosure would be substantially ameliorated if the Proposed Settlement could be amended to provide some mechanism by which Google’s competitors’ could gain comparable access to orphan works (whatever such access turns out to be assuming the parties negotiate modifications to the settlement).”⁸⁶⁸ The Statement then cited the settlement in the case of freelance writers against database publishers, where “numerous companies beyond the named defendants [were] allowed to obtain [the] benefits of [the] settlement.”⁸⁶⁹ The United States recognized that there was an obvious tension between a settlement that provided Google’s competitors with comparable access to unclaimed works and a settlement that protects the rights of absent rightsholders.⁸⁷⁰ The United States might believe that the settlement could satisfy these competing objectives only if its scope were limited to permitting Google and its competitors to scan and display snippets of books.⁸⁷¹

After the United States filed the Statement, the parties requested the Court to cancel the scheduled fairness hearing, and resumed negotiations in an effort to address the concerns raised by the United States and the objecting class members.

B. The Proposed Amendments

On Friday, November 13, 2009, Google, the Authors Guild, and the Association of American Publishers filed an Amended Settlement Agreement (“ASA”) with the

⁸⁶⁵ See Statement of Interest of the United States of America, *supra* note 845, at 15.

⁸⁶⁶ See *id.* at 14 (“As noted in testimony by the Authors Guild before the House Judiciary Committee, ‘finding the rights owners of a book is not as daunting as many seem to believe.’” (citation omitted)).

⁸⁶⁷ After describing this radical reduction in the scope of the settlement, the United States added that it:

[D]oes not mean to suggest, however, that such a modification is the only means to revise the Proposed Settlement to make it consistent with Rule 23. A combination of other revisions affecting the scope of the forward-looking license provisions and protecting the interests of absent class members could also alleviate at least some of the United States’ concerns.

Id.

⁸⁶⁸ *Id.* at 25.

⁸⁶⁹ *Id.* (citing *In re Literary Works in Elec. Databases Copyright Litig.*, MDL No. 1379, *rev’d on other grounds*, 509 F.3d 116 (2d Cir. 2007), *cert. granted sub nom.*, *Reed-Elsevier, Inc. v. Muchnick*, 129 S. Ct. 1523 (2009)).

⁸⁷⁰ *Id.* “Analysis of such provisions would have to take into account the limitations of Rule 23” *Id.*

⁸⁷¹ See *id.* at 15.

court.⁸⁷² The amendments proposed by the parties focus more on the Rule 23 concerns raised by the United States than on the competition issues. The ASA significantly reduces the scope of the settlement by excluding most books published outside of the United States.

1. *Changes Directed at Rule 23 Concerns*

a. *Books Within the ASA*

The original settlement applied to: 1) books first published in the United States and registered with the United States Copyright Office before January 5, 2009; and 2) books published outside the United States before January 5, 2009, regardless of copyright registration.⁸⁷³ The overwhelming majority of class members who objected to the original settlement were foreign rightsholders of books published outside the United States. Moreover, the Department of Justice and the Copyright Office argued that the inclusion of the foreign rightsholders within the plaintiff class did not meet the requirements of Rule 23 of the Federal Rules of Civil Procedure, which governs class actions.⁸⁷⁴

In response to these concerns, the ASA does not apply to books published outside the United States unless: 1) the books were published in Canada, Australia, or the United Kingdom before January 5, 2009; or 2) the books were registered with the Copyright Office before January 5, 2009.⁸⁷⁵ Perhaps as much as 50% of the titles in the research libraries partnering with Google are not in English; and most of these foreign language titles probably were published outside the United States and were not registered with the Copyright Office. The ASA, therefore, likely applies to half as many books as the original settlement. The foreign (non-Anglo) books will not be available for the full-text display services under the ASA such as the institutional subscription, consumer purchase, and the free public access.⁸⁷⁶

Google does, however, intend to continue scanning the foreign books into its search base, and to display snippets in response to search queries. In other words, Google intends to continue the existing Library Project with respect to the foreign books. Because the ASA does not cover these books, their rightsholders could sue Google for copyright infringement for scanning and snippet display, and Google presumably would defend itself by claiming that its activities fall within the fair use

⁸⁷² Amended Settlement Agreement, *Authors Guild v. Google, Inc.*, Case No. 05 Civ 8136 (DC) (S.D.N.Y. Nov. 13, 2009) (proposed), *available at* http://www.googlebooksettlement.com/r/view_settlement_agreement [hereinafter Amended Settlement Agreement].

⁸⁷³ See Manuel, *supra* note 311, at 9.

⁸⁷⁴ See Statement of Interest of the United States of America, *supra* note 845, at 4–16; *Proposed Google Book Settlement Hearing*, *supra* note 666, at 4–5 (statement of Marybeth Peters, Reg. of Copyrights, United States Copyright Office).

⁸⁷⁵ Amended Settlement Agreement, *supra* note 872, § 1.19.

⁸⁷⁶ See *id.* The ASA also tightens the exclusion of books primarily used to play music. *Id.* Further, the ASA clarifies that comic books (as opposed to graphic novels) are considered periodicals and therefore are not books under the settlement. *Id.* § 1.104; see also *id.* § 1.19 (stating that “[t]he term ‘Book’ does not include . . . Periodicals”). Additionally, the ASA clarifies that a bound compilation of periodicals is not a book under the settlement. *Id.* § 1.104.

privilege of 17 U.S.C. § 107.⁸⁷⁷ Google also will attempt to negotiate for permission for full text display from foreign collecting societies that have the authority to represent the copyright interests of authors and publishers in their countries.⁸⁷⁸

Eliminating the foreign books from the settlement means the elimination of many of the foreign rightsholders from the class of plaintiffs. The plaintiff class is defined as the holders of a United States copyright interest in a book under the settlement; if a foreign book no longer is covered by the settlement, its rightsholder no longer is a member of the plaintiff class.⁸⁷⁹ By removing foreign language books and their rightsholders from the settlement, the parties have removed the source of much of the controversy concerning the settlement. At the same time, the products available under the ASA will be far less comprehensive.

b. Registry Representation

The ASA provides that the Board of Directors of the Registry will have at least one representative of the Author Sub-Class and one representative of the Publisher Sub-Class from each of the following countries: the United States, the United Kingdom, Australia, and Canada.⁸⁸⁰ The ASA does not, however, provide for any Board representation for academic authors, contrary to the request of the Library Associations.

c. Unclaimed Works

The original settlement was criticized for not adequately protecting the interests of rightsholders who did not file ownership claims with the Registry. The Registry was to hold revenue from the unclaimed books and inserts in escrow for five years.⁸⁸¹ If the funds remained unclaimed after the five years elapsed, the Registry could use them for its operating expenses, and distribute the rest to rightsholders who filed claims or to charities.⁸⁸²

The ASA establishes an independent fiduciary responsible for representing the interests of the rightsholders of the unclaimed works.⁸⁸³ The Unclaimed Works Fiduciary will not be a published book author or a book publisher, and will be chosen

⁸⁷⁷ See 17 U.S.C. § 107 (2006). Infringement actions over these foreign works are unlikely. Google will continue to honor rightsholders' requests to opt-out of the Library Project. Moreover, these foreign works were unregistered at least until January 5, 2009. Their rightsholders, therefore, will be entitled only to actual damages for any infringement that occurred prior to registration. See *id.* § 504(b). This significantly decreases any rightsholder's incentive sue.

⁸⁷⁸ Additionally, Google will continue to negotiate license arrangements with individual foreign publishers.

⁸⁷⁹ See Amended Settlement Agreement, *supra* note 872, § 1.13; see also discussion *infra* Part VI.B.3.d (discussing the amendments to "inserts").

⁸⁸⁰ Amended Settlement Agreement, *supra* note 872, § 6.2(b)(ii).

⁸⁸¹ Settlement Agreement, *supra* note 76, § 6.3(a)(i).

⁸⁸² *Id.*

⁸⁸³ Amended Settlement Agreement, *supra* note 872, § 6.2(b)(iii).

by a supermajority of the Registry Board of Directors and must be approved by the Court.⁸⁸⁴

Under the ASA, the unclaimed funds will not be used for the Registry's operating expenses and will not be distributed to rightsholders who filed claims. Rather, the Registry, in collaboration with rightsholder organizations in Canada, Australia, and the United Kingdom, and in consultation with the Unclaimed Works Fiduciary, can spend up to 25% of the unclaimed funds held for five years on searching for absent rightsholders.⁸⁸⁵ After holding the remaining 75% for another five years, the Registry, with the approval of the Unclaimed Works Fiduciary, may petition the Court for approval to distribute the unclaimed funds to literacy-based charities.⁸⁸⁶ The Registry must notify the attorneys-general of the state governments,⁸⁸⁷ all rightsholders located by the Registry, and Google's partner libraries of its motion to distribute the unclaimed funds.⁸⁸⁸

d. Commercially Available Books

The ASA defines a book as "commercially available" for purposes of the default rules for displays if it is available for sale new from sellers anywhere in the world to purchasers in the United States, the United Kingdom, Canada, or Australia.⁸⁸⁹ For commercially available books, either Google or the rightsholders will have the ability to request renegotiation of the 63%/37% standard revenue split.⁸⁹⁰

e. Revised Deadlines

The ASA creates a new window for rightsholders to request "removal" of books from uses by Google. As under the original agreement, if Google receives a removal request before it scans a book, it cannot scan the book.⁸⁹¹ And if the rightsholder requests removal by April 5, 2011 of a book already scanned by Google, Google and fully participating libraries must stop all uses of their digital copies of the book (although they can store the copies).⁸⁹² The ASA adds a new removal period: if the rightsholder requests removal between April 5, 2011 and March 9, 2012, Google must stop using the digital copy, except for the limited purpose of providing digital copies and updated files to fully participating libraries.⁸⁹³ If a rightsholder makes a removal request after March 9, 2012, Google may not display any of the book's text,

⁸⁸⁴ *Id.*

⁸⁸⁵ *Id.* § 6.3(a)(i)(2).

⁸⁸⁶ *See id.* § 6.3(a)(i)(3).

⁸⁸⁷ State laws contain provisions regarding the disbursement of abandoned funds.

⁸⁸⁸ Amended Settlement Agreement, *supra* note 872, § 6.3(a)(i)(3).

⁸⁸⁹ *Id.* § 1.31.

⁸⁹⁰ *Id.* § 4.5(a)(iii); *see id.* § 2.1(a).

⁸⁹¹ *Id.* § 3.5(a)(i).

⁸⁹² *Id.* § 1.126(a).

⁸⁹³ *Id.* § 1.126(b).

but it can make “non-display uses” of the book (*e.g.*, retain the book in its search database and displaying bibliographic information in response to queries.)⁸⁹⁴

The ASA revises other deadlines as well. It extends until March 31, 2011 the deadline for rightsholders to file claims for payment for works scanned by Google prior to May 5, 2009.⁸⁹⁵ On the recommendation of the parties, the court established January 28, 2010, as the new deadline for opting out of the ASA.⁸⁹⁶

2. *Changes Directed at Competition Concerns*

The United States criticized the original settlement for granting Google a privileged position with respect to the unclaimed books.⁸⁹⁷ Under the original settlement, Google was the only entity that received a release from infringement liability for the full text display of the unclaimed books.⁸⁹⁸ The ASA does not change this situation. Significantly, the Unclaimed Works Fiduciary will not have the power to authorize third parties to scan and display unclaimed books.⁸⁹⁹ Although the United States advised the parties to provide some mechanism by which Google’s competitors’ could gain comparable access to the unclaimed works, the United States also recognized the tension between providing such access and protecting the rights of absent class members as required by Rule 23.⁹⁰⁰ The ASA does, however, address other issues relating to competition.

a. *“Most Favored Nation” Clause*

The original settlement included a “most favored nation” (“MFN”) clause that required the Registry to extend to Google the same terms it negotiated with any other entity that provided services of the same scope as those permitted under the settlement.⁹⁰¹ The United States objected to the MFN clause as discouraging the creation of competitive services. The ASA deletes the MFN clause.⁹⁰²

⁸⁹⁴ *Id.* § 3.5(a)(iii).

⁸⁹⁵ *Id.* § 13.4; *see id.* § 5.1(a).

⁸⁹⁶ *Id.* at Attach. N, p. 5.

⁸⁹⁷ *See* Statement of Interest of the United States of America, *supra* note 845, at 21–22.

⁸⁹⁸ Settlement Agreement, *supra* note 76, § 10.2(a).

⁸⁹⁹ *See* Amended Settlement Agreement, *supra* note 872, § 6.2(b)(i) (empowering the Unclaimed Works Fiduciary to make unclaimed works available to competitors “to the extent permitted by law,” but copyright law currently permits no such licensing).

⁹⁰⁰ *See* Statement of Interest of the United States of America, *supra* note 845, at 9.

⁹⁰¹ Settlement Agreement, *supra* note 76, § 3.8(a).

⁹⁰² *See* Amended Settlement Agreement, *supra* note 872, § 3.8 (omitting any reference to a “Most Favored Nations” framework).

b. Consumer Purchase Pricing

The United States expressed concern that the pricing of individual books for consumer purchase could discourage competition among publishers.⁹⁰³ Under the original agreement, Google could offer only temporary discounts from the list price. In contrast, the ASA removes any time limits on Google's right to discount the list price of books for consumer purchase.⁹⁰⁴ The ASA clarifies that Google's pricing algorithm to establish the consumer purchase pricing will be developed to simulate the prices in a competitive market.⁹⁰⁵ The price for a book will be set without regard to changes in the price of any other book.⁹⁰⁶ The ASA clarifies that the Registry has no involvement in the development of the pricing algorithm.⁹⁰⁷ The pricing bins are under Google's control, although rightsholders will be able to set minimum and maximum pricing bins.⁹⁰⁸ The Unclaimed Works Fiduciary has the right to approve Google's establishment of additional pricing bins for unclaimed works.⁹⁰⁹

c. Resale of Consumer Purchase

The ASA requires Google to allow third parties to sell consumer access to books offered through the consumer purchase service.⁹¹⁰ The reseller will receive a majority of Google's 37% share of the revenue split.⁹¹¹ Google had previously announced that it would voluntarily allow third party resale.

d. Additional Revenue Models

The original settlement allowed the Registry to authorize Google to provide unspecified additional revenue-generating services.⁹¹² The United States objected to the settlement favoring Google in this manner.⁹¹³ The ASA permits only the following three additional revenue models to be developed in the future: print on demand; file (*e.g.*, PDF) download; and consumer subscription.⁹¹⁴ Rightsholders of claimed books and the Unclaimed Works Fiduciary must be given advanced notice of these new services, with the opportunity to exclude works from those services.⁹¹⁵

⁹⁰³ Statement of Interest of the United States of America, *supra* note 845, at 22.

⁹⁰⁴ *See* Amended Settlement Agreement, *supra* note 872, § 4.5(b)(ii), (v).

⁹⁰⁵ *Id.* § 4.2(c)(ii)(2).

⁹⁰⁶ *Id.*

⁹⁰⁷ *Id.*

⁹⁰⁸ *Id.* § 4.2(c)(i).

⁹⁰⁹ *Id.* § 6.2(b)(iii)–(iv).

⁹¹⁰ *Id.* § 4.5(b)(v)(2).

⁹¹¹ *Id.*; *see id.* § 2.1(a).

⁹¹² Settlement Agreement, *supra* note 76, § 4.7.

⁹¹³ *See* Statement of Interest of the United States of America, *supra* note 845, at 9.

⁹¹⁴ Amended Settlement Agreement, *supra* note 872, § 4.7.

⁹¹⁵ *Id.*

e. Noerr Waiver

Under the *Noerr-Pennington* doctrine, if an activity receives government approval, it cannot form the basis of antitrust liability.⁹¹⁶ Some have suggested that if the court approved the settlement, Google, the rightsholders, and the Registry would receive antitrust immunity with respect to their conduct under the settlement. The new proposed Final Judgment and Order of Dismissal (attached to the ASA) provides that the order does not provide antitrust immunity to the parties or any other person.⁹¹⁷ Professor Randal Picker of the University of Chicago Law School observes that this waiver

changes substantially the opportunities and choices that the Department of Justice faces with regard to the settlement agreement. With the possibility of immunity attaching, DOJ faced a possible all-or-nothing judgment about whether to challenge the agreement now. Failing to mount a challenge now might forfeit that challenge seemingly forever. . . . DOJ can now wait to assess how the pricing issues actually play out under the agreement. DOJ can use the normal tools of antitrust investigations—civil investigative demands and the like—as it would for any other joint venture.⁹¹⁸

3. Other Amendments

The ASA proposed a variety of other more technical amendments to respond to other concerns and questions raised about the settlement.

a. Public Access Terminals

The ASA provides the Registry with the authority to increase the number of free public access terminals in a public library branch.⁹¹⁹ Increasing the number of terminals would be purely discretionary on the part of the Registry.

b. Library Digital Copies

The original settlement permitted Google to provide a fully participating library⁹²⁰ with digital copies of books in that library's collection that Google did not

⁹¹⁶ See *E. R.R. President's Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 136 (1961).

⁹¹⁷ Amended Settlement Agreement, *supra* note 872, at Attach. L, ¶ 17.

⁹¹⁸ Randal C. Picker, *Assessing Competition Issues in the Amended Google Book Search Settlement* 4 (Univ. of Chicago Law & Econ., John M. Olin Law & Econ. Working Paper No. 499, 2009), available at <http://ssrn.com/abstract=1507172>.

⁹¹⁹ Amended Settlement Agreement, *supra* note 872, § 4.8(a)(i)(3).

⁹²⁰ A fully participating library is a library that allows Google to scan in-copyright books in its collection, that receives in return digital copies of the books made available to Google, and that enters into the required agreement with the Registry. See Settlement Agreement, *supra* note 76, § 1.62.

obtain from that library (*i.e.*, Google obtained the book from another fully participating library), provided that Google scanned more than 300,000 books from that library's collection.⁹²¹ Because the ASA employs a narrower definition of "book," the threshold requirement now refers to "volumes" rather than "books."⁹²² This ensures that fully participating libraries do not receive fewer digital copies from Google by virtue of the ASA's exclusion of the foreign books.

c. Privacy

The ASA clarifies that Google will not provide the Registry with personally identifiable user information "other than as required by law or valid legal process."⁹²³ Other privacy issues are addressed in the privacy policy that Google developed for Book Search.⁹²⁴

d. Inserts

The original settlement allowed the rightsholder of a work contained within another rightsholder's book (e.g., a book's foreword) to exercise her rights under the settlement independently, and to receive separate compensation from Google through the Registry.⁹²⁵ The ASA clarifies, and thereby arguably narrows, the definition of such "inserts." Under the original settlement, the insert had to be "covered by a registration with the United States Copyright Office."⁹²⁶ The ASA clarifies this phrase by adding that the insert had to be registered "as a stand-alone work or as part of another, registered work from which it was excerpted."⁹²⁷ In other words, if A included in his book an essay by B, and A filed a copyright registration for his book, B's essay is not an insert under the settlement unless B had registered the essay on a stand-alone basis or as part of B's own book of essays. If B's essay is not an insert, B is not entitled to separate compensation and Google does not have to honor his request to exclude his essay from displays of the book.⁹²⁸

The ASA also excludes illustrations in children's books from the definition of inserts.⁹²⁹

⁹²¹ *Id.* § 7.2(a)(ii). If a library has fewer than 900,000 volumes in its collection, the threshold is 30% of the volumes in that library's holdings. *Id.*

⁹²² Amended Settlement Agreement, *supra* note 872, § 7.2(a)(ii)–(iii).

⁹²³ *Id.* § 6.6(f).

⁹²⁴ *See id.*

⁹²⁵ *See* Settlement Agreement, *supra* note 76, § 5.1(a).

⁹²⁶ *Id.* § 1.72. This requirement applies only to inserts first published in the United States. *See id.*

⁹²⁷ Amended Settlement Agreement, *supra* note 872, § 1.75.

⁹²⁸ Nonetheless, Google probably would honor such a request because the essay is not covered by the settlement and B could sue Google for infringement if it displayed the full text of the essay.

⁹²⁹ Amended Settlement Agreement, *supra* note 872, § 1.75.

e. Creative Commons Licenses

The ASA provides that the Registry will facilitate rightsholders' requests that their works be made available through alternative licenses for consumer purchase, such as through a Creative Commons license.⁹³⁰ The ASA clarifies that the rightsholders can set the consumer purchase price for their book at zero.⁹³¹

f. Modification of Restrictions on Users

The ASA allows rightsholders to authorize Google to modify or remove the default restrictions such as the number of pages that can be cut and paste or printed out with one command.⁹³²

g. Arbitration

The original settlement agreement required rightsholders to resolve disputes among themselves (*e.g.*, a dispute between a book's author and publisher) through an arbitration procedure.⁹³³ The ASA allows rightsholders to agree to resolve disputes in other fora, such as courts.⁹³⁴

4. Process Going Forward

The ASA can go into effect only if the court determines that it is fair, reasonable, and adequate.⁹³⁵ The court has accepted the parties' recommended schedule and set January 28, 2010, as the deadline for class members to opt out of the ASA or to file objections, and February 4, 2010, as the deadline for the United States to file its comments.⁹³⁶ The court will hold the fairness hearing on February 18, 2010.⁹³⁷

The modifications contained in the ASA respond to the Rule 23 concerns raised by the United States and objecting class members—particularly foreign rightsholders. At the same time, the ASA does not address the central competition problem; Google remains the only entity that can provide full text display services with respect to the unclaimed books. Evidently the parties concluded that these two sets of concerns were fundamentally irreconcilable. Providing potential Google competitors with a release from liability for full text displays inevitably exacerbated the perceived unfairness of the settlement to the absent rightsholders. The parties, therefore, elected to accommodate only the Rule 23 concerns.

⁹³⁰ *Id.* § 4.2(a)(i); *see id.* § 1.44 (defining "Creative Commons License").

⁹³¹ *Id.* § 4.2(b)(i)(1).

⁹³² *Id.* § 3.3(g); *see id.* §§ 4.1(d), 4.2(a).

⁹³³ Settlement Agreement, *supra* note 76, § 9.1(a).

⁹³⁴ Amended Settlement Agreement, *supra* note 872, § 9.1(a).

⁹³⁵ FED. R. CIV. P. 23(e)(2).

⁹³⁶ Amended Settlement Agreement, *supra* note 872, at Attach. N, p. 5.

⁹³⁷ *Id.* at 6.

Nonetheless, the *Noerr* waiver preserves ability of the United States to pursue antitrust claims against the Registry and the parties in the future. The United States might well conclude that although the ASA leaves Google in a privileged position relative to potential competitors, the *Noerr* waiver provides the United States with sufficient flexibility that it will not object to judicial approval of the ASA.

Of course, even if the court approves the ASA, the case is far from over. Class members can appeal the court's decision to the Second Circuit. Likewise, if the court rejects the ASA, the parties can appeal that decision to the Second Circuit. Moreover, foreign rightsholders excluded from the ASA could bring copyright infringement actions against Google for scanning and displaying snippets of their works. In short, the long and winding road to the Google Books settlement is far from its ultimate destination.