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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. Google's scanning of millions of books without the copyright owners’ authorization precipitated newspaper editorials, public debates, and ultimately two copyright infringement lawsuits in federal court. 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.

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. 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. Because the litigation was structured as a class action, the settlement requires the court’s approval. In response to objections made by rightsholders and the United States Department of Justice, the parties negotiated an amended

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* 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.


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).


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(g).
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

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10 Band, Google and Fair Use, supra note 7, at 2.
11 See id.
domain. 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. 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. 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. Moreover, the copyright notice does not specify whether the author, the publisher, or a third party has the right to authorize digitization. Furthermore, books published outside the United States often have no copyright notice, although they typically receive copyright protection in the United States. 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 \times 24,000,000 in-copyright books).

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. Slesigner*: 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.


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. A publisher may have gone bankrupt decades ago and records do not exist concerning the current owner of remaining assets. An author may have died and neither his will nor his heirs can be located. 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.

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. 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. 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.
- 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.
- 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.

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.”).
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.  

II. THE ORIGINAL GOOGLE LIBRARY PROJECT

A. General Features

Google Book Search has two facets: the Partner Program and the Library Project. 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. In response to a user query, the user receives bibliographic information concerning the book as well as a link to relevant text. 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. Links enable the user to purchase the book from booksellers or the publisher directly, or visit the publisher’s website. Additionally, the publisher shares in contextual advertising revenue if the publisher has agreed for advertisements to be shown on its book pages. Publishers can remove their books from the Partner Program at any time. The Partner Program raises no copyright issues because it is conducted pursuant to an agreement between Google and the rightsholder.

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

\[\text{References}\]


34 See id.

35 See id.

36 Id.


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.gillianpraggs.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, but only a few sentences of text around the search term in books still covered by copyright. 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. Users could not see a few pages, as under the Partner Program, nor the full text, as for public domain works. Indeed, users could never see even a single page of an in-copyright book scanned as part of the Library Project as originally designed.

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. 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. Google scanned the text of the reference books into its search database, but in response to a query the user received only bibliographic information. 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.

Because of non-disclosure agreements between Google and the libraries, many details concerning the project are not available. 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. 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.


41 Id.


43 See id.


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


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. 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. 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. 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.

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. 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. 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. Another possible use

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52 Band, Both Sides of the Story, supra note 14, at 2.
53 Id.
55 Band, Both Sides of the Story, supra note 14, at 2.
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.\textsuperscript{59}

\textbf{D. Actions by Other Search Engines.}

Soon after Google announced the Library Project, both Yahoo and Microsoft announced their own digitization projects.\textsuperscript{60} Microsoft announced that it would digitize 100,000 volumes from the British Library.\textsuperscript{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.\textsuperscript{62} Microsoft also participated in the Open Content Alliance until 2008.\textsuperscript{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,\textsuperscript{64} while Google scanned in-copyright books without the owner's authorization, as well as works in the public domain.\textsuperscript{65}

\textbf{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.\textsuperscript{66} The lawsuit was styled as a class action on behalf of all authors whose works were in the University of Michigan's collection.\textsuperscript{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.\textsuperscript{68} The authors request damages and injunctive relief.\textsuperscript{69} The publishers, in contrast, only requested injunctive relief.\textsuperscript{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.\textsuperscript{71}

\begin{itemize}
  \item \textsuperscript{59} UM Library/Google Digitization Partnership FAQ, Aug. 2005, \url{http://www.lib.umich.edu/files/services/mdp/faq.pdf} (last visited Nov. 20, 2009).
  \item \textsuperscript{61} See Band, \textit{Both Sides of the Story}, supra note 14, at 2.
  \item \textsuperscript{63} Band, \textit{The Copyright Debate}, supra note 46, at 3.
  \item \textsuperscript{64} See Hafner, supra note 62.
  \item \textsuperscript{65} HarperCollins announced that it intended to scan 20,000 books on it backlist and make the digital text available on its server for search engines to index. \textit{See} Band, \textit{The Copyright Debate}, supra note 46, at 3. It would offer this service to search engines free of charge. \textit{Ibid.} "The technological feasibility of this distributed indexing has not yet been proven." \textit{Ibid.}
  \item \textsuperscript{66} Authors Guild Complaint, supra note 4, ¶¶ 37–42.
  \item \textsuperscript{67} See id. ¶¶ 23a, 30–31, 39, 44–45.
  \item \textsuperscript{68} McGraw-Hill Complaint, supra note 4.
  \item \textsuperscript{69} Authors Guild Complaint, supra note 4, ¶¶ 42, 50.
  \item \textsuperscript{70} McGraw-Hill Complaint, supra note 4, ¶ 41.
  \item \textsuperscript{71} See Band, \textit{Both Sides of the Story}, supra note 14, at 3.
\end{itemize}
Neither group sued the libraries for making the books available to Google, nor for the copies Google was making for them. The two cases ultimately were consolidated into one action.

The Library Project involved three activities that raised copyright questions. First, Google copied the full text of books into its search database. 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. Third, Google reproduced and provided to each library a digital copy of the books in its collection scanned by Google. The public debate concerning the lawsuits focused on the first issue, Google’s copying of the full text of books into its search database.

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. 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. 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.

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

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72 Id.
74 See Band, Both Sides of the Story, supra note 14, at 3.
75 Band, The Copyright Debate, supra note 46, at 3.
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.
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. In other words, Google would pay a royalty for the use of the books—the equivalent of actual damages.

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." Under copyright law, a person generally can use a work only if he requests permission from the rightsholder and the rightsholder grants that permission. 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.

By contrast, under the Library Program, Google attempted to shift the burden onto the rightsholder. 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. 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." 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.

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. 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. Google's strongest defense lay in the fair use doctrine, 17

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82 See Google Books Tour, supra note 33.
83 See id.
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.
90 See id.
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).
The critical legal question in the litigation was whether the fair use doctrine excused Google's copying.  

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.  


In Kelly v. Arriba Soft Corp., Arriba Soft operated a search engine for Internet images.  

In response to a user query, the Arriba search engine displayed responsive thumbnails.  

Kelly, a photographer, discovered that some of the photographs from his website were in the Arriba search database, and he sued for copyright infringement.  

The lower court found that Arriba's reproduction of the photographs was a fair use, and the Ninth Circuit affirmed.
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

105 Arriba Soft, 336 F.3d at 818.
106 Id.
107 Id.
108 Id. at 819.
109 Id. at 820.
110 Id.
113 Id. (citing Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 564 (1985)).
114 Id.
115 Id.
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.\footnote{See Arriba Soft, 336 F.3d at 821.}

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,”\footnote{17 U.S.C. §107(4).} weighed in favor of Arriba.\footnote{Arriba Soft, 336 F.3d at 821–22.} The court found that the Arriba “search engine would guide users to Kelly’s web site rather than away from it.”\footnote{Id. at 821.} 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.\footnote{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.}

\textit{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 \textit{Arriba Soft}, a fair use case involving Google.\footnote{Perfect 10, Inc. v. Google, Inc., 416 F. Supp. 2d 828, 831–32 (C.D. Cal. 2006), \textit{aff'd in part, rev'd in part}, 487 F.3d 701 (9th Cir. 2007).} Perfect 10 published erotic photographs in a magazine and a website.\footnote{Id. at 834–35.} It claimed that other websites copied and displayed its photographs without permission.\footnote{Id. at 821.} 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
links to the infringing sites. Additionally, Google provided the AdSense service. If a website was an AdSense partner, Google served ads to the website. Although AdSense and Google Search were distinct services, Google Search could lead a user to a website that was an AdSense partner. Perfect 10 alleged that some of the infringing sites to which Google linked were AdSense partners. A final fact: a company called Fonestarz licensed photos and made them available for download on cell-phones. Perfect 10 alleged that it had licensed its images to Fonestarz for download onto cell-phones. It further alleged that cell-phone users could download thumbnail Perfect 10 images from Google’s site rather than from Fonestarz.

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. Perfect 10 filed a motion for preliminary injunction, which the district court granted. 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. 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.

The district court identified two features that differentiated this case from Arriba Soft: AdSense and Fonestarz. In Arriba Soft, Arriba Soft received no financial benefit from the display of the Kelly’s photograph. 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. The district court concluded that this made Google’s use "more commercial" than Arriba Soft’s.

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. But there did appear to be an emerging market for thumbnail images of naked women. Fonestarz licensed photos and made them available for download on cell-phones, where they were the same size as the thumbnails Google displays. 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.\footnote{143} Because of these factors, the court concluded that Google was unlikely to prevail on its fair use defense.\footnote{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.\footnote{145} The Ninth Circuit strongly reaffirmed its holding in \emph{Arriba Soft}, and rejected the district court's distinguishing of \emph{Arriba Soft} on the basis of the AdSense program and the cell-phone downloads.\footnote{146} The Ninth Circuit found that there was no evidence that the Google thumbnails superseded the Fonestarz cell-phone downloads.\footnote{147} Further, the court found no evidence that AdSense revenue derived from infringing sites was commercially significant.\footnote{148} At the same time, the court held that Google's use of the thumbnails was "highly transformative."\footnote{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."\footnote{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."\footnote{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.'"\footnote{152}

c. The Ninth Circuit Holdings Applied to the Library Project

Google's supporters argued that Ninth Circuit's fair use findings in \emph{Arriba Soft} and \emph{Perfect 10} applied with equal force to the Library Project.\footnote{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."\footnote{154} Like the Arriba Soft and Google search engines,
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.” The tool did not supplant the original books because it displayed only a few sentences in response to user queries. Like Arriba Soft and Google Image Search, the Library Project involved only published works. 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. 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.

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.

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156 See Google Books, supra note 155.


158 Id.


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

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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.\textsuperscript{170} Two, this argument suggests that works uploaded onto the Internet are entitled to less protection than analog works.\textsuperscript{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.\textsuperscript{172}

Three, Google argued that its opt-out feature constituted a similar form of implied license.\textsuperscript{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."\textsuperscript{174} In essence, an exclusion header is a software "Do Not Enter" sign that a website operator can place on its website.\textsuperscript{175} If a search engine's spider detects an exclusion header, it will not copy the website into the search index.\textsuperscript{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.\textsuperscript{177} Similarly, Google argued that any owner that did not opt out had given it an implied license to scan.\textsuperscript{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.\textsuperscript{179} However, the existence of the Partner Program, which involves licensing, demonstrates that the Library Project did not preclude lucrative licensing

\textsuperscript{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).

\textsuperscript{171} Singleton, Gutenberg Meets Google, supra note 14, at 13.

\textsuperscript{172} Id.

\textsuperscript{173} See id. at 23.

\textsuperscript{174} Id. at 19–20.

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

\textsuperscript{176} Id.

\textsuperscript{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).

\textsuperscript{178} Singleton, Gutenberg Meets Google, supra note 14, at 10.

\textsuperscript{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. By participating in the Partner Program, publishers received revenue streams not available to them under the Library Project. 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. 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.

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. Google's Library Project obviously did not deter Yahoo from adopting a different business model based on licensing. Similarly, Amazon under license allowed users to sample a few pages from a book at no charge.

Significantly, the Library Project did not compete with a business model involving licensed works because such a model showed more than just snippets. 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. Each business model satisfied different needs. Stated differently, the Library Project targeted the indexing market, while other online digitization projects aimed at the sampling market. By concentrating on the indexing market, the Library Project did not harm the sampling market.

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. Thus, Google's index did not deprive owners of potential revenues from "traditional, reasonable, or likely to be developed markets" for the work.

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

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181 Id.
182 Id. (offering publishers the ability to send pdf documents, presumably saving time in the uploading process).
183 Smith, supra note 155.
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.” 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.

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

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." 

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\[195 Bill Graham Archives, LLC v. Dorling Kindersley Ltd., 448 F.3d 605, 614-15 (2d Cir. 2006).\]

\[196 Id. (citations omitted) (second alteration in original).\]

\[197 See Video Pipeline, Inc., v. Buena Vista Home Entm't, Inc., 342 F.3d 191 (3d Cir. 2003).\]

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

\[199 Singleton, Gutenberg Meets Google, supra note 14, at 13.\]
Circuit. 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.* MP3.com established a “space-shifting” service that allowed people who purchased a CD to access the music on the CD from different locations. 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. MP3.com argued that the copies it made on its server constituted fair use.

The court rejected the argument and assessed millions of dollars of statutory damages against MP3.com. 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. Under this reasoning, a mere repurposing of the work was insufficient to render a use transformative.

Google’s supporters contended that *MP3.com* was easily distinguishable. 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. 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. In contrast, MP3.com’s database clearly could harm markets for online music, which the plaintiffs had already taken steps to enter. 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. 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.* Thus, *Arriba Soft* noted that *Campbell* held that “[t]he more transformative the new work, the less
important the other factors, including commercialism, become.” Likewise, *Arriba Soft* cited *Campbell* for the proposition that “the extent of permissible copying varies with the purpose and character of the use.” 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.” 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.

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.* Dorling Kindersley (“DK”) published a coffee table biography of the Grateful Dead with over 2000 different images. Among these were seven posters whose copyright was owned by Bill Graham Archives (“BGA”). BGA sued for infringement, but the District Court found that DK’s use was fair. The Second Circuit affirmed, holding that DK’s inclusion of reduced images of the posters in a new work was transformative. 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.

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.

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

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215 Id. at 820 (citing Campbell, 510 U.S. at 586–87).
216 Id. at 821 (citing Campbell, 510 U.S. at 591).
218 448 F.3d 605 (2d Cir. 2006).
219 Id. at 607.
220 Id.
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.\footnote{See Singleton, Gutenberg Meets Google, supra note 14, at 4.} Moreover, any one work constituted an inconsequential portion of the Google search index.\footnote{Id. at 14–15.} In sum, the BGA decision suggests that a court in the Second Circuit might have found Google’s use transformative.\footnote{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. \textit{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. \textit{See id.}}

3. Intermediate Copying

In addition to the \textit{Arriba Soft} and \textit{Perfect 10} cases discussed above, Google pointed to the “intermediate copying” line of cases to demonstrate the fair use nature of the Library Project.\footnote{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).} 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.\footnote{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.} 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.\footnote{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.} 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.\footnote{See Sega, 977 F.2d at 1514–15.} Google, conversely, retained the scanned copy in its search index.\footnote{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).} 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.\footnote{Band, Both Sides of the Story, supra note 14, at 7.}

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
application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster. 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. Some of these equitable arguments overlap with factors discussed above with respect to Arriba Soft and Perfect 10.

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. 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.

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. As discussed above, the cost of clearing the rights to the universe of in-copyright books could have exceeded $24 billion. 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

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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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{248} The Senate passed similar legislation in 2008, at the end of the 110th Congress.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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 rightholders deriving from allocating to them the burden of opting out, because the cost of the

\textsuperscript{244} Band, \textit{Both Sides of the Story}, supra note 14, at 8-9.
\textsuperscript{245} Id.
\textsuperscript{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. \textit{See} discussion \textit{supra} Part I.
\textsuperscript{249} S. 2913, 110th Cong. (2008).
\textsuperscript{250} \textit{See} H.R. 5439, § 514(a)(2); S. 2913, § 514(b)(2).
\textsuperscript{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.\textsuperscript{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.\textsuperscript{253}

\textit{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.\textsuperscript{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.\textsuperscript{255}

\textit{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.\textsuperscript{256} Nonetheless, the rightsholders argued that Google's unauthorized actions deprived them of licensing revenue.\textsuperscript{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.\textsuperscript{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

\textsuperscript{252} Band, \textit{Both Sides of the Story}, supra note 14, at 9.
\textsuperscript{254} Band, \textit{Both Sides of the Story}, supra note 14, at 11; see Fair Use Hearing, supra note 161, at 66–67 (statement of Paul Aiken).
\textsuperscript{255} Band, \textit{Both Sides of the Story}, supra note 14, at 11.
\textsuperscript{256} See id. at 10.
\textsuperscript{257} See id. at 10.
\textsuperscript{258} 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].
substantial, copyright ownership is dispersed among so many authors and publishers that any one owner could reasonably have expected only trivial license fees.\footnote{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, \textit{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. \textit{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. \textit{See id.}}

\textit{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.\footnote{17 U.S.C. § 106(1), (5) (2006).} Accordingly, there was no reason to prevent Google from proceeding at a time when its practices did the owners no harm.

\textit{iv. Security.}

The rightsholders also expressed concern about the security of the digitized copies in Google's search index.\footnote{Fair Use Hearing, \textit{supra} note 161, at 63 (testimony of Paul Aiken).} They feared that someone would hack into the index and upload the digitized books onto the Internet, where they would be publicly available.\footnote{Fair Use Hearing, \textit{supra} note 161, at 66 (prepared statement of Paul Aiken).} 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.\footnote{\textit{See} Matthew Bender & Co. v. West Pub'g Co., 158 F.3d 693, 705–06 (2d Cir. 1998).} 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.\footnote{\textit{See id.; Band, Both Sides of the Story, supra} note 14, at 10–11.} Google, however, had a significant incentive to protect the security of its index: it would not want to see its $750 million investment evaporate.\footnote{\textit{See id.; Band, Both Sides of the Story, supra} note 14, at 10.} 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
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.  

**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. They objected was not that Google created a full text search index; it was that Google created the index without their permission and without compensating them. The rightsholders repeatedly pointed to Google's financial success. 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. Relatedly, the rightsholders claimed that Google would profit from including their works in its index, presumably by the selling of advertising. In their view, Google should not have been permitted to profit from their labor without their permission.

**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. This is because the Library Project would have led consumers to perceive Google as the leading source for digital books. 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.

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266 *Id.*


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.


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. 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.

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. 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. Additionally, they worried that Google would have an economic incentive not to respect the privacy of its users.

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. 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. 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. Moreover, authors are aware that an ever increasing percentage of students and businesses conduct research primarily, if not exclusively, online. Therefore, if books cannot be searched online, many users will never locate them.

276 Id. at 11–12.
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.
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

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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.
291 99 F.3d 1381 (6th Cir. 1996).
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.\footnote{296 See 17 U.S.C. § 108(a), (c) (2006).}

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.\footnote{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) “improved access to information on the internet”; 2) was transformative in nature; and 3) constituted fair use).} 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.\footnote{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.”).} Thus, the core issue was the legality of the index copy, not the library copies.\footnote{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 shield 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).}

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.\footnote{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”).}

Thus, the scanning of a library of books might
not be permitted under the copyright laws of most other countries. 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. 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. (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. 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. 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. These exceptions for quotations should have been sufficient to protect Google’s transmission of Library Project search results to users. 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 Distrib., 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-Pathé Commc’ns Co., 24 F.3d 1088, 1085 (9th Cir. 1994) (en banc) (“The United States’ copyright laws have no application to extraterritorial infringement...”.)


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

C. How Would the Court Have Ruled?

Had the court reached the merits of the fair use defense, Google certainly had strong arguments. Society would have benefited significantly from a search index that included the full text of a large percentage of all published books. 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. 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. 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. 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. Although the Library Project involved a significant amount of copying, search engines routinely crawled the World Wide Web, caching vast quantities of web pages:

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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.\textsuperscript{317}

On the other hand, the Library Project involved an unprecedented amount of copying of books.\textsuperscript{318} Given the scale of the copying of analog material, the outcome of the case was far from certain.\textsuperscript{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.\textsuperscript{320} What surprised most observers was the settlement’s sweeping nature.\textsuperscript{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.\textsuperscript{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.\textsuperscript{323} Because the litigation is a class action, the settlement requires approval by the presiding judge.\textsuperscript{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.\textsuperscript{325}

\textsuperscript{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).

\textsuperscript{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).

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

\textsuperscript{320} See Settlement Agreement, supra note 76, at 134.


\textsuperscript{322} See Manuel, supra note 311, at 1, 9.


\textsuperscript{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. The settlement creates a mechanism for Google to continue scanning the full text of millions of books into its search index. The settlement also authorizes Google to display the full text of many of these books through a variety of services. In exchange, Google will pay license fees to rightsholders.

The settlement:

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

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. 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.

The settlement contemplates three categories of books:

- In-copyright, commercially available (in essence, in print or available through a print-on-demand program);
- In-copyright, not commercially available;
- Public domain.

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. Google has complete freedom with respect to the public domain books since they are not subject...
to copyright. Google will display the full text of these books for free, as it does under the original Library Project.

Significantly, the settlement does not apply to books first published after January 5, 2009. 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. 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.

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. 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. 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. If the presiding judge decides to certify the class, then any settlement or judgment can be binding on all members of

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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 See Settlement Agreement, supra note 76, § 3.5.
345 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.
346 Settlement Agreement, supra note 76, art. XII.
347 See FED. R. CIV. P. 23(a).
348 See id. (requiring the plaintiffs in the class to have typical claims and common questions of law).
the class.\textsuperscript{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.”\textsuperscript{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.\textsuperscript{350} The litigation currently involves two subclasses of plaintiffs—authors and publishers of books in which they own a United States copyright interest.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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

\textsuperscript{348} See FED. R. CIV. P. 23(c). 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).

\textsuperscript{349} FED. R. CIV. P. 23(c)(2).

\textsuperscript{350} Authors Guild Complaint, supra note 4, ¶ 20.

\textsuperscript{351} Manuel, supra note 311, at 2.

\textsuperscript{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).

\textsuperscript{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.

\textsuperscript{354} See discussion supra Part II.B, III.B.

\textsuperscript{355} See Settlement Agreement, supra note 76, at 1.
The Registry’s board will be divided equally between publishers and authors. Google will pay for the Registry’s start-up costs.

C. Territoriality

A country’s copyright law applies only within that country’s territory. 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. And although the settlement through the class action mechanism applies to non-United States rightsholders, the settlement applies only to their United States copyrights.

Google will provide the expanded services permitted under the settlement just to users located in the United States. 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. Pending litigation in other countries concerning this service will continue.

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. 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. 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. 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.


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. Google has not disclosed what technological means it will employ to exclude users outside the United States. 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. 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.

D. Google’s Services

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

- previews
- consumer purchases
- institutional subscriptions

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. Different default rules apply to in-print and out-of-print books. For out-of-print books, the default rule is that Google can make displays of the book available in all three services. 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.

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

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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. The settlement allows the rightsholder of such an "insert" exercise her rights independently from the rightsholder of the book. 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. Inserts do not include photographs, illustrations (other than in children's books), maps or paintings.

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. 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. However, unlike a book's rightsholder, an insert's rightsholder cannot insist that the insert be removed altogether from the Google Library Project. 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.

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. 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. However, for different categories of books (e.g., fiction vs. non-fiction), Google may display a different number of pages per response.

For most non-fiction works, Google generally may display no more than five adjacent pages at a time. Thus, when a user lands on a given page from a search, the user can see four pages adjacent to that page. 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.\textsuperscript{397} However, Google must block the two pages before and after any five-page display.\textsuperscript{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.\textsuperscript{399} Google must also block the final 5\%, or at least the final fifteen pages.\textsuperscript{400} No display is allowed of anthologies of drama and fiction by multiple authors, or collections of poetry or short stories.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{404} But with respect to in-print books, the user will see less under the settlement—not even the three snippets.\textsuperscript{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.\textsuperscript{406} For out-of-print books, the default rule is that Google will be able to make the books available for consumer purchase.\textsuperscript{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.\textsuperscript{408}

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

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\textsuperscript{397} See id.
\textsuperscript{398} Id.
\textsuperscript{399} Id.
\textsuperscript{400} Id.
\textsuperscript{401} Id. § 4.3(b)(ii); see generally id. at Attach. F ("Preview Uses").
\textsuperscript{402} Id. § 4.3(b)(iii); see generally id. at Attach. F ("Preview Uses").
\textsuperscript{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"); see generally id. at Attach. F ("Preview Uses").
\textsuperscript{404} See id. § 4.3(b)(i)(1).
\textsuperscript{405} See id. § 3.2(d)(ii) (stating that in-print books will be considered no display books); id. § 1.91.
\textsuperscript{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).
\textsuperscript{407} See id. § 3.2(d)(i)(1) (stating that out-of-print books will be considered display books); id. § 1.32 (defining consumer purchases to include display books).
\textsuperscript{408} See Google Books Tour, supra note 33.
\textsuperscript{409} See Settlement Agreement, supra note 76, § 4.2(e)(i)(1).
The copyright owner can direct Google to charge a different price for his or her book, including making the book available for free. 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. A book annotation is user-generated text that is displayed on any Web page on which a page of a book appears. 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.

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”). This database will include all the books in the in-copyright, out-of-print category. 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.

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

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. 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. Google will place a watermark on printed pages with encrypted identifying information that identifies the authorized user that printed the book.

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410 Id. § 4.2(c)(ii)(2).
411 Id. § 4.2(b)(1).
412 Id. § 4.2(a).
413 Id. § 1.17.
414 Id. § 3.10(c)(iii)(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(a).
419 Id.
420 Id.
421 See id. § 4.1(d).
422 See id.
Each authorized user may also make annotations of books in the ISD. Instructors and students in an academic course can share annotations with each other and with students enrolled in the same course the subsequent year. 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. 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. 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.

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. If they cannot agree on a price structure, the settlement provides for a dispute resolution mechanism involving binding arbitration.

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.” 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.” 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.

Pricing will be based on the number of full-time equivalent (“FTE”) users. For higher education institutions, FTE means full-time equivalent students. The FTE pricing can vary across different categories of institutions. These categories include: (1) corporate; (2) higher education institutions (which may be sub-divided...
based on the Carnegie Classifications for Institutions of Higher Education); (3) K-12: (4) government; and (5) public library.  

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).  

Google can charge a lower price for a discipline-based subset of the ISD. 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.”  

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. After Google submits the initial pricing strategy to the Registry, Google and the Registry will negotiate its terms for up to 180 days. If Google and Registry do not reach agreement, the dispute will be submitted to binding arbitration.  

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.” 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. 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. Google and the Registry will agree on the duration of subsequent pricing strategies. 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.

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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. 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.

The new "pricing review" procedure would occur after the price-setting process described in the settlement. 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. 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. The pricing review will be conducted by "an independent, qualified third party" designated by the initiating library, subject to Google's approval. Google will pay up to $100,000 of the reviewer's fees and costs for the first two reviews. Google must provide to the reviewer specified categories of information, some of which the reviewer cannot make directly available to the partner libraries. The reviewer will prepare a Pricing Review Report, which he or she will provide to Google and all partner libraries.

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/whisconsin_amendment.pdf; Amended Cooperative Agreement, Google, Inc.-University of Texas, available at http://thepublicindex.org/docs/libraries/texas_amendment.pdf.
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(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. 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. 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.”

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. The adjustment amount is limited to Google’s net revenue (in essence, 37% of the subscription price).

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. 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. 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. 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. Thus, so long as it meets the conditions noted above, Michigan would receive a free institutional subscription. 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.

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. A user sitting at a PAS terminal will be able to view full text of all books in the Institutional Subscription Database. As noted above, this generally corresponds to books in the in-copyright, not commercially available category. A user can print pages of material viewed on the PAS terminal for a "reasonable" per-page fee set by the Registry. 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. 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. The settlement does not treat any library primarily funded or managed by the federal government as a public library.

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. 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.

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.

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. The libraries providing Google with in-copyright books to scan—what the settlement terms "fully participating" and "cooperating" libraries—will select the host sites. The host site could be a fully participating or cooperating library, or another institution.

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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)(ii)(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. 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. 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.

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. 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.

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. Qualified users may read material as reasonably necessary to perform non-consumptive research, or to explain, discuss, or verify research results.

Direct, for-profit, commercial use of information extracted from books in the Research Corpus is prohibited. 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. Commercial exploitation of algorithms developed when performing non-consumptive research is permitted. Use of data extracted from a specific book to provide services that compete with services offered by the book’s rightsholder are prohibited.

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

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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. 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.

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. The copyright owner of a commercially available book may request that the book be withdrawn from the Research Corpus.

5. Users With Print Disabilities

Google must "use commercially reasonable efforts" to accommodate users with print disabilities. 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. The accommodations include screen enlargement, voice output, and refreshable Braille displays. The objective is to accommodate "users with Print Disabilities so that such users have a substantially similar user experience as users without Print Disabilities." 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. 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.

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. Google agrees to make public domain books available to people with print disabilities in the same manner as books under the settlement.

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)(x)(b).
496 Id. § 7.2(d)(iv).
497 Id. § 7.2(g)(i)(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. The settlement creates four categories of partner libraries with different rights and responsibilities: fully participating libraries, cooperating libraries, public domain libraries, and other libraries.

1. Fully Participating Libraries

To become a fully participating library, a library must sign an agreement with the Registry. 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.

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. The set of digital copies Google provides the library is the library digital copy ("LDC"). 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). 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. 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. However, Google can provide the library only with digital copies of books contained in that library’s collection.

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

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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...
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)(i)(ii).
535 Id. § 7.2(c)(i), (iii)–(vi).
536 Id. § 7.2(b)(viii).
537 Id. § 7.2(b)(c)(1).
538 Id. § 7.2(b)(c)(2).
539 Id.
540 Id. § 7.2(c)(i), (iii)–(vi).

The Amended Agreement between Google and the University of Michigan contained additional provisions concerning the copies Google provided to Michigan. 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. 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).

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. 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). 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. Michigan can provide copies of public domain books to other not-for-profit and government entities on similar terms, provided that Google agrees.

Google cannot unreasonably withhold or delay agreement. In twenty years,


\[\text{[542] Amended Michigan Cooperative Agreement, supra note 450, ¶ 18 (to supplement the Michigan Cooperative Agreement as § 4.4.4(a)).}\]

\[\text{[543] Id. ¶¶ 17–18 (to supplement the Michigan Cooperative Agreement as §§ 4.4.3(b), 4.4.4(a)).}\]

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

\[\text{[545] Amended Michigan Cooperative Agreement, supra note 450, ¶ 18(b) (to supplement the Michigan Cooperative Agreement as § 4.4.4(b)).}\]

\[\text{[546] Id.}\]

\[\text{[547] Id.}\]

\[\text{[548] Id.}\]
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

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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.” Disagreements between the Registry and the libraries concerning modifications to the Security Standard are subject to binding arbitration.

The fully participating library must submit its security implementation plan to the Registry for approval. 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.

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. Google and the Registry will share in the costs of the audits.

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. 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. If the parties cannot agree on an appropriate remedy, the issue will be submitted to binding arbitration.

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. 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. 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. 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. 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. The damages are capped at $2 million if the breaching

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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(a)(ii).
564 Id. § 8.2(a)(ii).
565 Id. § 8.3(a).
566 Id.
567 Id. § 9.3(c)(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).
con duct was negligent, $3 million if the breaching conduct was reckless, and $5 million if the breaching conduct was intentional.\textsuperscript{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;\textsuperscript{574}
- Whether Google is treating the work as being in the public domain in the United States, and the factual basis for the determination;\textsuperscript{575}
- Whether the Registry has objected to Google’s public domain classification and the outcome of any dispute regarding its classification;\textsuperscript{576}
- Whether Google is treating the work as a government work;\textsuperscript{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.);\textsuperscript{578}
- Whether the work is being treated as commercially available;\textsuperscript{579}
- Whether Google is making the work available through revenue models such as consumer purchase, institutional subscriptions, or advertising uses;\textsuperscript{580}
- For public domain and government works, whether Google has received requests to exclude inserts;\textsuperscript{581} and
- Whether the work has been registered with the Copyright Office.\textsuperscript{582}

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

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

\textsuperscript{573} Id.
\textsuperscript{574} Amended Michigan Cooperative Agreement, supra note 450, at Attach. A, \textsuperscript{575} at 10(a)(ii).
\textsuperscript{575} Id. at Attach. A, \textsuperscript{576} at 10(a)(iii).
\textsuperscript{576} Id. at Attach. A, \textsuperscript{577} at 10(a)(iv).
\textsuperscript{577} Id. at Attach. A, \textsuperscript{578} at 10(a)(v).
\textsuperscript{578} Id. at Attach. A, \textsuperscript{579} at 10(a)(vi).
\textsuperscript{579} Id. at Attach. A, \textsuperscript{580} at 10(a)(vii).
\textsuperscript{580} Id. at Attach. A, \textsuperscript{581} at 10(a)(viii).
\textsuperscript{581} Id. at Attach. A, \textsuperscript{582} at 10(a)(ix).
\textsuperscript{582} Id. at Attach. A, \textsuperscript{583} at 10(a)(x).
\textsuperscript{583} Id. at Attach. A, \textsuperscript{584} at 10(a)(ii), (c).
\textsuperscript{584} Id. at Attach. A, \textsuperscript{585} at 10(g).
\textsuperscript{585} Id. at Attach. A, \textsuperscript{586} at 10(d).
\textsuperscript{586} Id. at Attach. A, \textsuperscript{587} at 10(g).
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editorial reasons, whether the exclusion was for quality, technical, or legal reasons. \[9.227.2009\]

A library may disclose to the public the identity of books excluded for editorial reasons.

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. 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.

"Google will identify, if requested by the designated representative, the relevant specific books... in each category... above..." This information cannot be shared with the public.

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.

- "Cooperating libraries" are libraries that intend to provide in-copyright books to Google for inclusion in Google Book Search. 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. 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. In addition, these cooperating libraries have the ability to force Google to meet certain obligations discussed below.

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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. 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.

“Other libraries” are libraries that have agreed to provide Google books to scan, but have chosen not to participate in the settlement. 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.

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. Google must provide a settlement fund with at least $45 million to distribute for these scans. The amount each rightsholder receives will depend on how many rightsholders file claims with respect to the scan. A rightsholder must register by January 5, 2010, in order to receive this fee.

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

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608 Id. at Attach. C, § 1.2(c)(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)(iv).
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.\textsuperscript{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.”\textsuperscript{620} Thus, even if a rightsholder registers her book with the Registry, she can still license other entities to digitize and distribute her book.\textsuperscript{621}

Additionally, the Registry may license rightsholders’ United States copyrights to third persons to the extent permitted by law.\textsuperscript{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.\textsuperscript{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.\textsuperscript{624} The class action mechanism cannot bind rightsholders with respect to third parties, such as Google’s potential competitors, not participating in the settlement.\textsuperscript{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).\textsuperscript{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.”\textsuperscript{627} After parsing through the definitions of Rightsholder and Registered Rightsholder,\textsuperscript{628} it becomes clear that this condition can be satisfied only if Congress enacts legislation granting the Registry the authority to

\textsuperscript{619} Settlement Agreement, supra note 76, § 2.2.
\textsuperscript{620} Id. § 2.4.
\textsuperscript{621} Id. §§ 2.4, 3.1(a).
\textsuperscript{622} Id. § 6.2(b).
\textsuperscript{623} Id.
\textsuperscript{624} See FED. R. CIV. P. 23(e).
\textsuperscript{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).
\textsuperscript{626} See Settlement Agreement, supra note 76, § 3.8(a).
\textsuperscript{627} Id.
\textsuperscript{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

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629 Id. § 7.2(c)(i)-(ii).
630 Id.
631 Id. § 7.2(c)(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) (“Rightsholder Releasors’ 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.
However, even if he opted out of the settlement, he can still participate in the Partner Program Google offers copyright owners. 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.

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. Furthermore, the rightsholder has the ability to change the default rules with respect to a particular title. 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. 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. 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.

To exercise these choices, and to receive revenue from the Registry for Google’s uses, the rightsholder must register with the Registry. 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.

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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. One 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. The court received hundreds of objections, largely from foreign rightsholders or associations representing foreign rightsholders. The court also received comments from rightsholders that supported (or did not oppose) the settlement. Finally, dozens of amicus briefs were filed, both supporting and opposing the settlement.

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. 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. 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.

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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).


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).


Many support approval of the settlement because it enables Google to provide people in the United States with unprecedented online access to books. 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. 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. 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. 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. 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.”

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

Supporters of the settlement further argue that it will benefit the authors of out-of-print books. The settlement would allow their books to reach new audiences, thereby enhancing their reputations, disseminating their ideas, and rewarding them financially. 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-
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 rightholders 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

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665 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." 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." Additionally, "Congress is much better situated than the judiciary to consider such important and far-reaching changes to the copyright system." 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 infringing. 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." 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. The proposed settlement in that case, which was approved by the district court, would grant the infringers a license to continue infringing. 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." 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). Congresswoman Zoe 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).

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.)).


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.\footnote{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 "we are not experts on the proper scope of class actions settlements ...." Id.}

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.\footnote{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.} 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.\footnote{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.} Professor Pamela Samuelson argued that the Authors Guild did not adequately represent the interests of academic authors.\footnote{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).}

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.\footnote{Robert Darnton, Google & the Future of Books, N.Y. REV. BOOKS, Feb. 12, 2009, http://www.nybooks.com/articles/22281.} 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.\footnote{See, e.g., Letter from Pamela Samuelson to the Honorable Denny Chin, supra note 678.} Because the settlement allows the rightsholder of a work contained within another rightsholder’s book to exercise his rights under the settlement independently, a book in the Google database may lack important parts of the printed book.\footnote{See Settlement Agreement, supra note 76, § 3.5(b)(i).} A book in the database might be missing an essay, poem, short story, foreword, chart or table that appears in the printed version.\footnote{See id. § 1.72 (defining the term “Insert”): id. § 1.122 (defining “Registered Rightsholder” to include a rightsholder who has registered an insert).} 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.\footnote{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 . . . .")} The quality of Google’s scans has been criticized, as well as the
quality of the metadata Google uses for conducting its searches. Additionally, some public libraries called for an expansion of the free Public Access Service to every computer terminal in public libraries and public schools.

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. 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.

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. But it is safe to assume that a large proportion of the rightsholders will not claim their books. 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.

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

The 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. 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 rightsholder 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.

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. 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. 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.

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

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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. 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. 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.

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.

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. While theoretically...

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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 CCIA 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.

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 665, at 8–10 (statement of Marybeth Peters, Reg. of Copyrights, United States Copyright Office).

703 CCIA 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 CCIA, 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.

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

> [To 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

> [It 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. First, all three approaches assume that entities exist that are willing to invest hundreds of millions of dollars in the scanning of books once the copyright clearance problem is addressed. However, Google has a five year head-start advantage over potential competitors, during which it has refined the scanning process and scanned as many as twelve million books into its search database. Considering Google's significant head-start, it is unlikely that any commercial entity will enter this unproven market. 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. 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. If they cannot reach agreement, the price will be determined by an arbitrator. 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. 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. 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,

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706 See discussion supra Part V.A.1.a-c.
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:

\[\text{[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:

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

\(^{714}\) 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(α)(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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{723} Thus, the subscription price might remain beyond the means of many libraries.\textsuperscript{724} Third, the arbitrator's decision is final and unappealable.\textsuperscript{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.\textsuperscript{726} The settlement specifically provides that "[t]he Court shall retain jurisdiction over the interpretation and implementation of [the] Settlement Agreement."\textsuperscript{727} The Library Associations asserted that by this statement the parties acknowledged the court's authority to regulate their conduct under the settlement.\textsuperscript{728} 

\begin{itemize}
\item \textsuperscript{718} Id. at 4-5.
\item \textsuperscript{719} See Settlement Agreement, supra note 76, § 4.1(a)(vi)-(ix).
\item \textsuperscript{720} Amended Michigan Cooperative Agreement, supra note 450, at Attach. A, ¶ 3(c).
\item \textsuperscript{722} See Amended Michigan Cooperative Agreement, supra note 450, ¶ 23 (to supplement the Michigan Cooperative Agreement as § 4.4.8(a)).
\item \textsuperscript{724} See Library Association Comments, supra note 707, at 9.
\item \textsuperscript{725} Settlement Agreement, supra note 76, § 9.7.
\item \textsuperscript{726} Id. § 17.23.
\item \textsuperscript{727} Id.
\item \textsuperscript{728} Library Association Comments, supra note 707, at 19.
\end{itemize}
Associations urge the court to exercise this authority vigorously to ensure the broadest possible public benefit from the services the Settlement enables.\(^7\)

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."\(^7\)

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").\(^7\)

The Library Associations observed that

> both 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.\(^7\)

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.\(^7\) In proceedings before the rate court, ASCAP and BMI have the burden of proving the reasonableness of the rates they seek.\(^7\) 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."\(^7\)

The Library Associations’ second suggestion concerned the composition of the Registry’s Board of Directors.\(^7\) 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.\(^7\) The Library Associations expressed concern that the Registry’s Board

\(^7\) Id.
\(^7\) Id. (quoting Settlement Agreement, supra note 76, § 4.1(a)(i)).
\(^7\) Id. at 19 n.47.
\(^7\) Id.
\(^7\) Id.
\(^7\) Id.
\(^7\) Id. at 18.
\(^7\) 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.
To ensure that the Registry's Board adequately reflects the perspectives of academic authors, the Library Associations contended that

any 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.\textsuperscript{743}

The Library Associations also requested the court to regulate the Registry on matters other than the price of the institutional subscription.\textsuperscript{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.\textsuperscript{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."\textsuperscript{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."\textsuperscript{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.\textsuperscript{748} These investigations were pending at the writing of this article.\textsuperscript{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.\textsuperscript{750} Second, by establishing Google as a major retailer of books, the settlement

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\textsuperscript{743} Library Association Comments, \textit{supra} note 707, at 20.

\textsuperscript{744} \textit{Id.} at 19–20.

\textsuperscript{745} \textit{Id.} at 17.

\textsuperscript{746} \textit{Id.} at 17–18.

\textsuperscript{747} \textit{Id.} at 20.

\textsuperscript{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. \textit{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.” \textit{Id.} Accordingly, the Department had issued civil investigative demands seeking documents and information from parties to the litigation. \textit{Id.}

\textsuperscript{749} See generally Jerry A. Hausman & J. Gregory Sidak, \textit{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.

would create a significant competitor for Amazon.com, which some publishers believe acts as a monopsonist in that market.\textsuperscript{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.\textsuperscript{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.\textsuperscript{753}

Finally, Google and the class representatives argue that they built price discipline into the settlement.\textsuperscript{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


\textsuperscript{752} See Settlement Agreement, \textit{supra} note 76, § 6.2(b); Library Association Comments, \textit{supra} note 707, at 16-17.

\textsuperscript{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, \textit{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.” \textit{Id.}; see also David Balto, \textit{Booklovers Should Cheer Google's Plan}, \textsc{Fin. Times}, June 24, 2009, http://www.ft.com/cms/s/0/8bf99ea8-6057-11de-a09b-00144feabd0.html#elink_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. \textit{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. \textit{See id.} James Grimmelmann opined that “this resembles an affiliate marketing program; the service on offer is still fundamentally Google’s, although others may run the storefront.” James Grimmelmann, \textit{GBS: What Exactly Does Google's Marketing Agreement Mean?}, \textsc{Laboratorium}, Sept. 10, 2009, http://laboratorium.net/archive/2009/09/10/gbs_what_exactly_does_google's_marketing_agreement. After the hearing, Amazon indicated 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, \textit{Google Offers Rivals a Place in E-books Program}, \textsc{CNET News}, Sept. 10, 2009, http://news.cnet.com/8301-30685_3-10349301-264.html?tag=newsEditorsPicksArea.

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

The settlement also contains few details about user information in the institutional subscription context. 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." 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.

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. In the settlement negotiations, the class representatives evidently insisted on these measures to protect the security of digital subscriptions.

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

In response to the concerns raised by libraries and others, Google on July 23, 2009, issued a statement about privacy and the settlement. 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.” 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.

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 . . .” 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.” The Registry would receive

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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.
771 Id.
772 Id.
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.” 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 Shiboleth -- a technology that lets Google confirm that a user is part of a subscribing institution without knowing who that user is.” 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.”

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.”

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 authorization . . .

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.

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. In response to the letter and a related blog posting, Dan Clancy, the Engineering

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775 Id.
776 Id.
777 Id.
778 Id.
779 Id.
780 See id.
Director for Google Book Search, wrote that “none of the examples in the EFF post would be an issue with [the] book search offering.”

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. First, the policy stated that all of the provisions of the main Google Privacy Policy apply to the Google Books service. 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. Further, when a user employs Google Books, Google receives log information similar to what it receives in a Web Search. 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.

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. 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. 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. 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.” 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.”

Next, Google described policy practices specific to the current Google Books product. 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.” 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

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. 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. 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.

Google then addressed practices specific to services proposed under the settlement. The Registry will receive aggregate, non-personally identifiable information about usage of Google Books. 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." 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. 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. 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.

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. 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.
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. 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.

On September 3, 2009, Jane Horvath, Google's Global Privacy Counsel, posted a blog on the Google Books privacy policy. She stated that “[i]t's important to note that like all of our privacy policies, this one is legally enforceable by the FTC . . . .” 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.

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.” The settlement could stifle

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806 Id.
807 Id.
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.
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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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 object.\textsuperscript{816} For example, China has demanded the removal of links to sites promoting free speech and civil liberties in Tibet;\textsuperscript{817} Thailand has required the removal of websites critical of the King of Thailand;\textsuperscript{818} and Turkey has requested the removal of sites that discuss the Armenian genocide.\textsuperscript{819} It is safe to assume that these governments might attempt to

\textsuperscript{812} Settlement Agreement, \textit{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. \textit{Id.} § 7.2(e)(i). This provision is intended to force Google to roll out the services under the Settlement in a timely manner. \textit{Id.}

\textsuperscript{813} \textit{See} Settlement Agreement, \textit{supra} note 76, §§ 4.3(b)(i)(1), 4.8(a).

\textsuperscript{814} \textit{See} Mark S. Nadel, \textit{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.").

\textsuperscript{815} \textit{See} Settlement Agreement, \textit{supra} note 76, § 3.7(e).


\textsuperscript{817} \textit{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").

\textsuperscript{818} \textit{See} OPENNET INITIATIVE, THAILAND 2–3 (2007), \textit{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).

pressure Google to exclude politically offensive books from the ISD. 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 the 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.” 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. A library in turn may disclose to the public the identity of books excluded for editorial reasons.

The Library Associations contended that the settlement also may not sufficiently safeguard intellectual freedom with respect to the Research Corpus. 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.

Based on this concern, the Library Associations argued to the court that “[a]ny researcher must have the ability to request the Court to review the reasonableness of a Research Corpus host site’s refusal to allow the researcher to conduct a research

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See The Internet in China Hearing, supra note 816, at 188 (statement of Tom Malinowski) (contending that if China succeeds in “bending 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.

Library Association Comments, supra note 707, at 20.

Amended Michigan Cooperative Agreement, supra note 450, at Attach. A, ¶ 10(e).

Id.

Library Association Comments, supra note 707, at 16.

Id.
3. Foreign Rightsholders

Non-United States rightsholders have both principled and practical concerns with the settlement. 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. 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. 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. 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. 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, 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 "while 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.
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.\textsuperscript{832} The Registry will escrow funds due to an unregistered rightsholder for five years.\textsuperscript{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.\textsuperscript{834} Of course, the rightsholder can cure the perceived unfairness by registering her claim.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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

\textsuperscript{832} Objection of the Federal Republic of Germany, \textit{supra} note 663, at 21.
\textsuperscript{833} \textit{See} Settlement Agreement, \textit{supra} note 76, § 6.3(a)(i).
\textsuperscript{834} \textit{Id.}
\textsuperscript{835} Objection of the Federal Republic of Germany, \textit{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, \textit{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.
\textsuperscript{836} \textit{Id.}
\textsuperscript{837} \textit{Id.}
\textsuperscript{838} \textit{Id.} § 4.2.
\textsuperscript{839} Objection of the Federal Republic of Germany, \textit{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. \textit{Id.} at 9. The only exception would be a non-United States user who is an appropriate individual within a subscriber institution, \textit{e.g.}, a non-United States student of a university with an institutional subscription. \textit{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.\textsuperscript{840}

\textbf{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.\textsuperscript{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.\textsuperscript{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

\textsuperscript{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.” \textit{Id.} at 1. IFLA recognized that the expanded services permitted under the settlement could be provided only to users in the United States. \textit{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.” \textit{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.” \textit{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 . . . .” \textit{Id.}

\textsuperscript{841} See \textit{id.} at 2 (commenting that some experts estimate the cost at $750 million for scanning 30 million books).

\textsuperscript{842} Library Association Comments, \textit{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").
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.” The Statement reiterated many of the concerns identified above regarding the representation of absent rightsholders and the lack of competition. 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. The Statement further raised concerns with respect to the adequacy of representation of the foreign rightsholders.

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.” 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.” The Statement opined that the settlement “appears to give book publishers the power to restrict price..."
competition.” 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.”

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. 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. 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. 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.”

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.” Thus, the United States urged the parties to consider “[a] settlement that simply authorized Google to engage in scanning and snippet displays . . . .”

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. 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.” 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. 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

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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. The United States, however, failed to appreciate the cost of identifying and locating the rightsholders of millions of books. 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.

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.

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

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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: "[I]t does 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.
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. 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.

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. 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.

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.
privilege of 17 U.S.C. § 107. 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.

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. 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. 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. 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.

The ASA establishes an independent fiduciary responsible for representing the interests of the rightsholders of the unclaimed works. The Unclaimed Works Fiduciary will not be a published book author or a book publisher, and will be chosen

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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 to 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, § 6.20(b)(ii).

881 Settlement Agreement, supra note 76, § 6.3(a)(i).

882 Id.

883 Amended Settlement Agreement, supra note 872, § 6.20(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,
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.)

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. On the recommendation of the parties, the court established January 28, 2010, as the new deadline for opting out of the ASA.

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. 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. 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. 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. 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. The United States objected to the MFN clause as discouraging the creation of competitive services. The ASA deletes the MFN clause.

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894 Id. § 3.5(a)(iii).
895 Id. § 13.4; see id. § 5.1(a).
896 Id. at Attach. N, p. 5.
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).
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)(i)(ii).
906 Id.
907 Id.
908 Id. § 4.2(c)(ii).
909 Id. § 6.2(b)(ii)(i)- (iv).
910 Id. § 4.5(b)(v)(ii).
911 Id.; see id. § 2.1(a).
912 Settlement Agreement, supra note 76, § 4.7.
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. 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. 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.

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. 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 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), provided that Google scanned more than 300,000 books from that library’s collection. Because the ASA employs a narrower definition of “book,” the threshold requirement now refers to “volumes” rather than “books.”

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.” Other privacy issues are addressed in the privacy policy that Google developed for Book Search.

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. 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.” 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.”

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.

The ASA also excludes illustrations in children’s books from the definition of inserts.
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. The ASA clarifies that the rightsholders can set the consumer purchase price for their book at zero.

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.

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. The ASA allows rightsholders to agree to resolve disputes in other fora, such as courts.

4. Process Going Forward

The ASA can go into effect only if the court determines that it is fair, reasonable, and adequate. 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. The court will hold the fairness hearing on February 18, 2010.

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)(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).
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.