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Google, Google book search litigation, Internet, Google settlement, Copyright, Copyright fair use

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Settling for Less? An Analysis of the Possibility of Positive Legal Precedent on the Internet if the Google Book Search Litigation Had Not Reached a Settlement

By Brooke Ericson[1]

I. Introduction

A final hearing held in early February will lead to an opinion by U.S. District Judge Denny Chin for the Southern District of New York, determining whether the Google Book Search Settlement is upheld or rejected. Google's competitors argue antitrust violations,[2] the National Writers Union calls the settlement "grossly unfair"[3] and library associations worry about the lack of guarantees to current and future access.[4] This article will focus on another critique of the Google Book Settlement: that by settling, Google is avoiding the fight for a positive legal precedent for copyright fair use on the Internet and is only concerned with its own business interests.[5] This logic stems from the fact that many scholars believed Google would succeed on its fair use defense and "blaze a trail on behalf of many, less wealthy Internet companies."[6] Instead, Google entered a settlement providing itself with a strong advantage over its book scanning competitors and a monopoly over millions of orphan books.[7]

This article will look at this argument and analyze whether Google's settlement was based on self-interest or a strategic cost-benefit analysis. Part II of this article will explain the Google Book Search Settlement. Part III will analyze the effects a Google win would have on copyright law. Then, Part IV will compare the Ninth and Second Circuits' precedents to determine if Google really could have set this "positive legal precedent." Finally, Part V will conclude that it is likely Google would have failed in the Second Circuit leaving Google with two options – to appeal to the Supreme Court or single-handedly bring an end to online book scanning.

II. The Google Book Settlement

In 2004, Google entered into agreements to digitize books with several libraries and universities, including the New York Public Library, Harvard University, Stanford University, Oxford University and the University of Michigan. Seven million books were scanned until issues arose concerning the digitization of books protected by United States copyright law. In 2005, several authors and publishers brought a lawsuit against Google, asserting copyright infringement. Google denied such allegations, claiming that its display of "snippets" or a few lines was protected under the

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2. *See* Jacqui Cheng, *Microsoft, Amazon Join Opposition to Google Books Settlement*, Ars Technica, Aug. 21, 2009, http://arstechnica.com/tech-policy/news/2009/08/microsoft-amazon-join-opposition-to-google-books-settlement.ars.

3. *See* Ryan Singel, *National Writers Union Opposes Google Book Settlement*, Wired.com, Aug. 13, 2009, http://www.wired.com/epicenter/2009/08/national-writers-union-opposes-google-book-settlement/.

4. *See* John Timmer, *Google Book Settlement Has Librarians Worried*, Ars Technica, May 5, 2009, http://arstechnica.com/tech-policy/news/2009/05/libraries-weigh-in-with-worries-on-googles-book-settlement.ars.

5. *See* Juan Carlos Perez, *In Google Book Settlement, Business Trumps Ideals*, PC World, Oct. 30, 2008 http://www.pcworld.com/businesscenter/article/153085/in_google_book_settlement_business_trumps_ideals.html; *see also* Fred von Lohmann, *Google Is Done Paying Silicon Valley's Legal Bills*, Recorder, Nov. 14, 2008, *available at* http://www.eff.org/deeplinks/2008/11/further-thoughts-google-book-search-settlement.

6. *See* Perez, *supra* note 4.

7. Miguel Helft, *Opposition to Google Books Settlement Jells*, N.Y. Times.com, Apr. 17, 2009 *available at* http://bits.blogs.nytimes.com/2009/04/17/opposition-to-google-books-settlement.

doctrine of fair use. In 2007, however, rather than going forward with its fair use defense, a settlement was reached between the parties.

The proposed settlement establishes a $125 million fund, providing authors who sign on to the agreement a onetime nominal payment, plus future royalties. The settlement also sets aside $34.5 million for a Book Rights Registry, to locate rightsholders and create a database of their contact information and the copyright interests in their works. In exchange, Google will be released from liability for its scanning, searching, and displaying of books online.

Google will dedicate 63% of its net revenues from the advertising that it shows on search results and book display pages to authors. Thus, Google gets to show 20% of the book online and sell digital copies of it, keeping 37% of all revenues. Further, Google has the right to scan books in print and use them for research purposes. For books with no known authors, orphan works as they are called, Google may scan these works and hold a share of the revenues in trust for the copyright owners, if they are ever exposed. These orphan works, which according to UC Berkeley Professor Pamela Samuelson constitute 70% of books that are still in copyright,[8] are at the center of the settlement's controversy.

III. What Could Have Been, the Consequences of a "Positive Legal Precedent"

Mixed feelings surround the Google Book Settlement, as Google's competitors point to its unfairness and researchers point to its potential. One journalist went as far as to state, "by settling a lawsuit with book authors and publishers this week, Google is looking out for itself and has avoided fighting for and possibly establishing a positive legal precedent for copyright fair use on the Internet."[9] This section explores this assertion and imagines a copyright world where fair use is a solid defense for search engines.

A. Copyright in the Digital Age

Copyright scholars often find themselves unsatisfied with the Supreme Court's holding in *MGM Studios, Inc. v. Grokster, Ltd.*,[10] and are left longing for more clarity in an increasingly digital world. In *Sony Corp. v. Universal City Studios, Inc*,[11] the Court held that "the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes."[12] Originally the Ninth Circuit applied *Sony* broadly in *Grokster*, finding that producers could *never* be contributorily liable for third parties' infringing uses "even when an actual purpose to cause infringing use is shown . . . unless the distributors had specific knowledge of infringement at a time when they contributed to the infringement and failed to act upon that information."[13] The Supreme Court unanimously rejected this holding, but instead applied the inducement theory of secondary liability to reach its conclusion.[14] Thus, if the Supreme Court took the Google Book Search case, not only would there be hope for more clarity after *Grokster,* but new questions that have arisen and new issues that have formed since 2005 could now be answered.

Beyond clarity, a positive legal precedent could provide a road map for how innovative technologies such as Google act on the Web. As Google continues to develop, a variety of possibilities await it on the Web and copyright law thus far has not been able to keep pace with technology.[15] A precedent holding that Google's fair use defense is viable may help both Google and its competitors understand what they can do online and what they can't. Without such precedent, Internet companies are rapidly experimenting and expanding on the Web, but at their own risk. Not only would a

8. Ryan Singel, *The Fight over the Google of All Libraries: A Wired.com FAQ,* Wired.com, Apr. 30, 2009, http://www.wired.com/epicenter/2009/04/the-fight-over-the-worlds-greatest-library-the-wiredcom-faq/.

9. Perez, *supra* note 4.

10. 545 U.S. 913 (2005).

11. 464 U.S. 417 (1984).

12. *Id.* at 442.

13. 545 U.S. at 933-34; *see Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd*, 380 F.3d 1154 (9th Cir. 2004) (emphasis added).

14. *See Grokster*, 545 U.S. at 934 ("we do not revisit Sony further, as MGM requests, to add a more quantified description of the point of balance between protection and commerce when liability rests solely on distribution with knowledge that unlawful use will occur. It is enough to note that the Ninth Circuit's judgment rested on an erroneous understanding of Sony and to leave further consideration of the Sony rule for a day when that may be required.").

15. *See* Steven Hetcher, *The Half-Fairness of Google's Plan to Make the World's Collection of Books Searchable*, 13 Mich. Telecomm. & Tech. L. Rev. 1, 9 (2006) (noting that "changes in technology are creating market opportunities for Google on a global scale" and the law hasn't had a chance to respond. "Thus, Google finds itself in a legal free zone and is seeking to do its best to exploit its opportunities. Rather than waiting for the law to adapt, Google is adopting a proactive approach, seeking to create 'private law' that stands to be maximally favorable to its interests.").

positive legal precedent induce innovation because it would wipe out the fear of potential lawsuits, but it also would serve judicial efficiency in preventing numerous test cases from arising.

Further, a positive legal precedent could help copyright law catch up with technology. "In the digital world, controlling copying is less important than controlling access to a work."[16] If this is the case, then a positive legal precedent could go as far as rewriting copyright law, focusing on preventing distribution to the public.[17] Such a decision could stem out of the fact that while Google is copying entire works, the general public will only be able to access a mere snippet of the work. The positive legal precedent would allow copying or scanning of works, provided that access to the public remained limited.

B. A Change in Ownership

i. Publishers

Why do we have the Google Book Search litigation to begin with? Although publishers and authors contend it is because their livelihood is being tested, scholars argue that the answer is more basic: publishers want their fair share of the profits Google will receive from the Book Search project.[18] With a positive legal precedent in Google's favor, content ownership shifts from the possession of the publishers, to the possession of the scanners. Further, without the settlement, all Internet search engines, including Yahoo and Microsoft, would become owners and distributors of content. While many scholars understand the implications this has for publishers, they note that the purpose of copyright law is not to protect the publishers. Pursuant to the Constitution, works are protected "to promote the Progress of Science and useful Arts."[19] Books will only promote progress if they are read and will only be read if they can be located. Thus,

> The Google Library Project advances the public interest by making information globally accessible regardless of a user's income, geographic location, and proximity to a library . . . The Project also simultaneously drives publishers' incentives to create by increasing their profits based on increased exposure to book titles. Thus, the Google Library Project is consistent with copyright law.[20]

Therefore, a positive legal precedent would not only allow Google to continue the dissemination of information and provide incentives for creation, but other companies would be able to do this as well. Essentially, the more digital libraries there are, the more the goals of copyright will be promoted.

ii. Libraries

Not only could a positive legal precedent shift the role of publishers, it also shifts the roles of public libraries: public being the key word. Google is not the first entity to want to collect the world's knowledge. Once upon a time, the Library of Alexandria was created under this same notion, "to bring the sum total of human knowledge together in one place at one time."[21] If Google is allowed to create a "digital Library of Alexandria" it will be doing so as a private company. Although many may take for granted that libraries are publicly run, critics fear that a private company, ultimately driven by profit maximization, could drastically change the notion of libraries for everyone.[22] Further, with legal precedent allowing the scanning, numerous digital libraries could arise. However, instead of these libraries being congenial partners on a mission to locate books and distribute them to those who seek them, these new private libraries will be competitors. Private libraries will not reach out to other digital libraries for support, instead they could be driven to oust one another. Thus, although competition could bring prices down and allow greater access to knowledge, it also could drastically change the concept of the library. While this could be a negative side to a positive legal precedent, it is important to note that no matter how drastically competition could change the landscape of libraries, it usually always alters the landscape in a better

16. Emily Anne Proskine, Note, *Google's Technicolor Dreamcoat: A Copyright Analysis of the Google Book Search Library Project*, 21 Berkeley Tech. L.J. 213, 238 (2006).

17. *See id.* (explaining that Copyright law should be rewritten to focus on preventing distribution to the public, rather than to continue promoting a system "that impedes 'normal use' and technological advancement.").

18. *See id.* at 239 ("What is certain is that a publishing house bringing suit against Google is not in the battle to uphold its constitutional right 'to promote the Progress of Science and useful Arts,' but rather to obtain what it perceives to be its fair share of the Google Library Project's profits.").

19. U.S. Const. art. I, § 8, cl. 8.

20. Proskine, *supra* note 15, at 239.

21. Hetcher, *supra* note 14, at 1.

22. *See id.* at 6 ("An important question raised by the Google Print lawsuits, both domestically and internationally, is whether something as important as the digital Library of Alexandria should be in the control of a private company . . . . driven by the motive of profit maximization.").

way than a monopoly would. Without a positive legal precedent there will likely only be one digital library. The world does not exist under the regime of one public library. Likely, it should not exist under the regime of one digital library.

C. A Chance for Competitors

Also of importance, and mentioned throughout this section, is that with a positive legal precedent Google's competitors will also be able to scan books and create their own digital libraries. This, of course, would not only include the larger companies, Yahoo and Microsoft, but also numerous smaller companies who could never fight the copyright battle in court due to smaller budgets, but who indeed want a piece of the pie once Google adds solidity to the flimsy fair use doctrine. [23] Alas, Google was the only entity willing to risk scanning books and potential copyright infringement claims. Further, Google would be the only company paying for an extensive litigation on the fair use doctrine. Thus, Google would have to go through extensive expenses in order to get this positive legal precedent, only to find that its competitors and many no name companies could then do exactly what Google was doing before the precedent. This fact alone could explain why Google opted for the settlement over the litigation and how a positive legal precedent could benefit everyone, but Google.

D. The Unstoppable Google

Of course, the statement above is not entirely true. While a positive legal precedent would certainly fuel competition, competition shouldn't and doesn't scare Google. Through Google's constant creation of new applications, it has found a way to continuously be ahead of the curve and its competitors. Thus, a positive legal precedent may create more book scanners, but by the time the litigation would have ended, Google likely would have set its sights on other potentials realized after the Supreme Court held that Google's fair use defense was viable.

Google has already said it wants to collect all the information in the world. With a positive legal precedent confirming the fair use defense, what would stop Google from next putting every movie in the world on its databases, or every song? If the Court ruled in favor of Google getting permission to scan books from the libraries but not the copyright owners, why wouldn't the Court rule in favor of Google getting permission from libraries but not copyright owners to scan DVDs and CDs?[24] Thus, if Google's Book Search database is approved, the amount of copyrighted work that Google could exploit on its databases is infinite.

IV. But Could Google Win?

After a discussion of the positive legal precedent a Google win could set on the copyright landscape, the larger question unfolds: could Google even win? This section analyzes relevant precedent in the Ninth and Second Circuits. As the case would ultimately be litigated in the Second Circuit, only cases from this Circuit are binding. However, several opinions by the Ninth Circuit have dealt with cases sharing similar facts with the one at hand and this article will also explore those holdings. Further, many who argue that Google would succeed on its fair use defense have relied on cases not from the Supreme Court or Second Circuit, but from the Ninth Circuit, specifically, *Kelly v. Arriba Soft Corp*.[25]

If Google proceeds in its litigation it will assert a fair use defense. Under the affirmative defense of fair use, Google is essentially admitting to copying, but claiming that it is permitted under the doctrine. When analyzing fair use, courts ultimately balance four factors. These are: (1) the purpose and character of the use (including if it is commercial in nature or a "transformative" use); (2) the nature of the copyrighted work; (3) the amount of the work used; and (4) the effects or potential effects on the market for the original work.[26]

A. Ninth Circuit Decisions

This section will analyze cases that many Google advocates are arguing would support Google's position. However, it is important to keep in mind, that at most, this is persuasive authority only, as the Second Circuit is free to ignore the precedent established outside its jurisdiction.

i. The Ninth Circuit and Fair Use

23. *See id.* ("Should Google prevail, risks will be dramatically decreased and one can expect competitors to rush in.").

24. *See id.* at 6–7 (pointing out that libraries do in fact loan out DVDs and CDs).

25. 336 F.3d 811 (9th Cir. 2003).

26. 17 U.S.C. § 107 (1992); *see* Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569 (1994) ("All four factors are to be explored, and the results weighed together, in light of the purpose of copyright.").

In 2003, the Ninth Circuit decided *Kelly v. Arriba Soft Corp*. The case was brought when Leslie Kelly, a professional photographer, found thumbnail images of his photographs on Arriba Soft's search engine. The court concluded that the "creation and use of the thumbnails in the search engine is a fair use."[27] Going through the analysis, the court first noted that "the more transformative the new work, the less important the other factors, including commercialism, become."[28] To make this assertion, the court cited the Supreme Court's decision in *Campbell v. Acuff-Rose Music, Inc*.[29] In *Campbell*, the Court analyzed the transformative nature of the work under the first prong, noting that

The central purpose of this investigation is to see . . . whether the new work merely supersedes the objects of the original creation . . . or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is "transformative."[30]

Applying *Campbell*, the court found that "although Arriba made exact replications of Kelly's images, the thumbnails were much smaller, lower-resolution images that served an entirely different function than Kelly's original images."[31] Thus, while Kelly's images were "artistic works intended to inform and to engage the viewer in an aesthetic experience," Arriba's search engine used the images "to help index and improve access to images on the Internet and their related web sites."[32] The court also noted that users were unlikely to enlarge the thumbnail images, as there constituted a much lower-resolution than the originals and an enlargement would result in a significant loss of clarity. Further, while evidence pointing towards transformative use was high, the commercial use was low, as Arriba did not profit from selling the image or use the images to directly promote its website.[33]

Turning to the other prongs, the court found that although photographs are generally considered creative in nature, because Kelly published its images on the Internet before Arriba used them in its search engine, the second prong only weighed slightly in favor of Kelly. The third prong was found to favor neither party, as it was reasonable to copy the entire image in light of Arriba's use.[34] Finally, the court found that not only did Arriba's use of Kelly's images not harm the market of Kelly's images; it actually helped it. By displaying the thumbnails of Kelly's images, the search engine would guide users to Kelly's website, rather than detract from it.[35]

In 2006, the Ninth Circuit decided *Field v. Google*.[36] The case centered on Google's main search engine, which scans the web using a "web crawler" known as the "Googlebot."[37] The web crawler scans the Internet to locate, analyze, and catalog the webpages into Google's searchable index, making a temporary repository of each webpage it finds called a "cache."[38] When clicked, the cached link directs an Internet user to the archival copy of a webpage, rather than to the original website for that page.[39] Field contended that allowing Internet users to access archival copies of 51 of his copyrighted works stored by Google in an online repository violated Field's exclusive rights to reproduce copies and distribute copies of those works.[40]

Looking at the purpose and character of the use, the court used *Kelly* to find that Google's cached links were transformative.[41] Further, the court noted that although Google is a for-profit corporation, no evidence demonstrated that Google profited from Field's work.[42] The court concluded, "the fact that Google is a

27. Kelly v. Arriba Soft Corp., 336 F.3d 811, 815, 822 (2003).
28. *Id.* at 818.
29. 510 U.S. 569 (1994)
30. *Id.* at 579 (internal citations omitted).
31. *Kelly*, 336 F.3d at 818.
32. *Id.*
33. *See id.* ("Because the use of Kelly's images was not highly exploitative, the commercial nature of the use weighs only slightly against a finding of fair use.").

34. *See id.* at 821 (noting that "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 only copied part of the image, it would be more difficult to identify it, thereby reducing the usefulness of the visual search engine.").
35. *Id.*
36. 412 F.Supp.2d 1106 (D. Nev. 2006).
37. *Id.* at 1110; *see also* Cameron W. Westin, *Is Kelly Shifting Under Google's Feet? New Ninth Circuit Impact on the Google Library Project Litigation*, 2007 Duke L. & Tech. Rev. 2, 26 (2007) (discussing how Google's search engine uses its web crawler to scan pages online and catalogue these pages into Google's searchable database.).
38. *Field*, 412 F. Supp. 2d at 1110–11.
39. *Id.* at 1111.
40. *Id.* at 1109.
41. *See id.* at 1118–19 ("Because Google serves different and socially important purposes in offering access to copyrighted works through 'Cached' links and does not merely supersede the objectives of the original creations, the Court concludes that Google's alleged copying and distribution of Field's Web pages containing copyrighted works was transformative.").
42. *See id.* at 1120 (noting that Field's work was among billions of

commercial operation is of only minor relevance in the fair use analysis. The transformative purpose of Google's use is considerably more important, and, as in *Kelly*, means the first factor of the analysis weighs heavily in favor of a fair use finding."[43] Although balancing the other three factors led the court to rule in the favor of fair use, the court added an additional prong to its fair use analysis: Google's good faith. The court noted that Google honors industry-standard protocols that site owners use to instruct search engines not to provide cached links for the pages of their sites. Field both failed to inform Google to not cache his site *and* took a variety of steps to get his work included in Google's search results. "Comparing Field's conduct with Google's provides further weight to the scales in favor of a finding of fair use."[44]

Finally, in 2007, the Ninth Circuit decided *Perfect 10, Inc. v. Amazon.com, Inc.*,[45] a case focusing on Google's "Google Images" feature. Perfect 10 markets and sells copyrighted images of nude models. The issue arose in this case when Google's search engine automatically indexed the webpages of websites that republished Perfect 10's images without authorization. Thus, Google users could click on the thumbnail image provided by Google's search engine and access third-party webpages with full-sized infringing images.[46]

Under the fair use analysis the court used *Kelly* to hold that "Google's use of thumbnails is highly transformative."[47] Thus, per *Kelly*, "even making an exact copy of a work may be transformative so long as the copy serves a different function than the original work."[48] The court further rejected the district court's finding that since Google's thumbnails "lead users to sites that directly benefit Google's bottom line," the AdSense program increased the commercial nature of Google's use of Perfect 10′s images.[49] Instead, the court concluded 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."[50] Balancing the other factors led the court to hold in favor of fair use.

ii. The Google Book Search and Fair Use

Kelly has already allowed Google to prevail in *Field* and *Perfect 10*, and many advocates argue it could have likely given the Google Book Search the capacity to prevail on its fair use defense. If these cases were used as controlling, on the first factor it is very likely that the court would have found Google's use transformative in nature. Google is not simply reproducing the books and allowing the public to access them in their entirety. Instead, Google displays "snippets" of the books used for locating materials relevant to search queries and "keyword" searches. It, therefore, serves a purpose and function very different than that of the original book. Further, the ability to search for keyword results has enormous potentials for researchers, making the project a clear public benefit.[51] Therefore, it is likely that the court would find, as it did 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 books in this case."[52]

Moving to the nature and character of the use, while many of the books Google copies are creative, they have all been published and therefore do not encroach on the author's right of first publication.[53] Further,

works in the Google database and no advertisements were placed on the cached pages).

43. *Id.*

44. *Id.* at 1122–23.

45. 487 F.3d 701 (9th Cir. 2007).

46. Legal action was sought against Amazon.com because of the agreement between Google and Amazon.com, in which Amazon.com is allowed to in-line link to Google's search results. As the court explains, "Amazon.com gave its users the impression that Amazon.com was providing search results, but Google communicated the search results directly to Amazon.com's users. Amazon.com routed users' search queries to Google and automatically transmitted Google's responses (i.e., HTML instructions for linking to Google's search results) back to its users." *Id.* at 712.

47. *See id.* at 721 (noting that "a search engine puts images 'in a different context' so that they are 'transformed into a new creation.'").

48. *Id.* at 721–22 (citing Kelly v. Arriba Soft Corp, 336 F.3d at 818–19).

49. *Id.* at 722–23; *see* Perfect 10 v. Google, Inc., 416 F. Supp. 2d 828, 847 (C.D. Cal. 2006).

50. *Perfect 10*, 487 F.3d at 723; *see also id.* ("Accordingly, we disagree with the district court's conclusion that because Google's use of the thumbnails could supersede Perfect 10 s cell phone download use and because the use was more commercial than Arriba's, this fair use factor weighed 'slightly' in favor of Perfect 10. Instead, we conclude that the transformative nature of Google's use is more significant than any incidental superseding use or the minor commercial aspects of Google's search engine and website. Therefore, the district court erred in determining this factor weighed in favor of Perfect 10.").

51. *See* Westin, *supra* note 36, at 48.

52. *Perfect 10*, 487 F.3d at 723.

53. Westin, *supra* note 36, at 49; *see* Kelly v. Arriba Soft Corp, 336 F.3d 811, 820 (9th Cir. 2003) ("The fact that a work is published or unpublished also is a critical element of its nature. Published works

while as in *Kelly*, Google copies the works in full, such wholesale copying is necessary to create a functional search engine.[54] Finally, while it is arguable whether the content-owners of library books may lose the licensing value of their works due to Google's actions, the search-engine is not created to replace the demand for full books and is instead designed to lead users to locations for purchasing the original works. As in *Kelly*, it can be argued that this not only *does not* detract from the market, it instead enhances it.[55] Finally, the court could choose to look at the additional good faith prong added by the court in *Field*. Such good faith efforts in the Google Book Search include the opt-out provision that Google has designed. Thus, while providing an "opt-out" method alone would not immunize a defendant from copyright infringement claims, "volunteering a relatively simple and effective method for content owners to prevent their works from being included in a vast project may lessen the image of authors' works being wrestled from their grasp."[56]

B. Second Circuit Decisions

While Google defenders rest on *Kelly* and subsequent case law, it is important to remember that it is the Second Circuit, and not the Ninth Circuit, that would decide this case. Thus, there is a different body of case law that the Second Circuit would look to in order to reach its decision. Further, the East Coast's Second Circuit has proven much less pragmatic than the West Coast's Ninth Circuit.[57] This section will analyze relevant precedent set in the Second Circuit and analyze how such precedent would have guided the court in the current Google litigation.

In the Google Book Search Settlement, the East Cost and West Coast house two different interests. In this case, the East Coast is home to authors and publishers.[58] Here, "content is king," and therefore its protection is a powerful interest.[59] Across the country, however, the West Coast is home to Google and content distributors, rather than content creators.[60] Thus, Google's litigation in the Second Circuit gives its adversaries – authors and publishers – home court advantage.[61] With this natural bias in mind, it is then important to turn to case law and binding precedent.

i. The Second Circuit and Fair Use

In the same year that the Supreme Court was debating contributory liability in *Sony*, the Second Circuit reached its decision in *Fin. Info., Inc. v. Moody's Investors Servs., Inc*.[62] In this case, Financial Information Inc. ("FII"), a publisher of financial information, contended that Moody's stole its copyrighted material from its Bond Service. At trial, FII demonstrated that there was a 95% certainty that Moody's had copied at least 40–50% of FFI's information in the years 1980 and 1981.[63] Laying out the fair use factors, the court found that Moody's did not make out a proper defense. The court began its analysis by finding "there is no argument and of course can be no doubt but that Moody's use is commercial, and thus presumptively unfair."[64] Further, the court rejected the "public function" of Moody's use.[65] Thus, based on the presumption of unfair use, the court found in favor of FII on the first factor.

Placing little emphasis on the second factor, which the court found to favor fair use, the court placed significant emphasis on the third factor. The court found significant evidence offered at trial by Professor Herbert Robbins, Professor of Mathematical Statistics at Columbia University, that it was statistically certain (95–99% probable) that Moody's had copied at the 40–50% level.[66] The court considered this "substantial, if not wholesale copying by Moody's from FII."[67] Finally, with respect to the fourth factor, the court found that

are more likely to qualify as fair use because the first appearance of the artist's expression has already occurred. Kelly's images appeared on the Internet before Arriba used them in its search image."); *see also* Perfect 10, Inc. v. Amazon.com, Inc., 487 F.3d 701, 723 (9th Cir. 2007) ("Once Perfect 10 has exploited this commercially valuable right of first publication by putting its images on the Internet for paid subscribers, Perfect 10 is no longer entitled to the enhanced protection available for an unpublished work."); Field v Google, 412 F.Supp.2d 1106, 1120 (D. Nev. 2006) (holding that the nature of the copyrighted works weighed only slightly in favor of Field because "even assuming Field's copyrighted works are as creative as the works at issue in Kelly, like Kelly, Field published his works on the Internet, thereby making them available to the world for free at his Web site.").

54. *See* Westin, *supra* note 36, at 49

55. *See id.*

56. *Id.* at 54.

57. Siva Vaidhyanathan, *The Googilization of Everything and the Future of Copyright*, 40 U.C. Davis L. Rev. 1207, 1225 (2007).

58. Westin, *supra* note 36, at 12.

59. *Id.*

60. *Id.*

61. *Id.* at 13.

62. 751 F.2d 501 (2d Cir. 1984).

63. *Id.* at 503.

64. *Id.* at 508.

65. *Id.*

66. *Id.* at 509.

67. *Id.*

FII might be in a position to license the infringed use for a fee and noted that harm to the copyright owner "may be presumed."[68]

In 2000, the Southern District of New York found itself faced with a copyright infringement claim concerning downloading music on the Internet. In *UMG Recordings, Inc. v. MP3.com, Inc.*[69] the court began by asserting that, "The complex marvels of cyberspatial communication may create difficult legal issues; but not in this case. Defendant's infringement of plaintiffs' copyrights is clear."[70] Employing the fair use factors, the court found the purpose and the character of the use to be commercial.[71] Further the court found that retransmitting the copies into another medium was insufficient to constitute as transformative.[72] Thus, as MP3.com failed to add "new aesthetics, new insights and understandings" to the original music recordings it copied, but instead "simply repackages those recordings to facilitate their transmission through another medium," its works could be considered innovative, but not transformative.[73] Balancing the other three facts, the court found MP3.com's fair use defense indefensible as a matter of law and ruled in favor of the copyright owners.

More recently, the Second Circuit has ruled in favor of fair use. In 2005, *Blanch v. Koons*[74] decided an infringement claim of a copyrighted photograph. In this case, Andrea Blanch, copyright owner of her photograph "Silk Sandals by Gucci," alleged that Jeff Koons copied the model's legs, feet, and Gucci sandals from the photograph in his painting entitled, "Niagara." Undertaking a fair use analysis the court first found Koons' use of the work to be transformative, finding "no original creative or imaginative aspect of Blanch's photograph . . . included in Koons' painting."[75] Under the nature of the copyrighted work, the court found that the photograph was sufficiently creative and its publication in a magazine throughout the United States favored fair use. On the third factor, the court found that because the quality of the copyright protection for crossed legs is weak, the third factor was neutral between the parties. Finally, on the fourth factor the court found in favor of defendants as "Niagara" was not a substitute for Blanche's photograph and was in no way competitive with it.

In 2006, the Second Circuit found in *Bill Graham Archives. v. Dorling Kindersely Ltd.*[76] a viable fair use defense. In 2003, Dorling Kindersley Ltd ("DK") published a 480-page coffee table book entitled "Grateful Dead: the Illustrated Trip." Issue arose when Bill Graham Archives ("BGA") claimed to own the copyright to seven images displayed in the book. Employing the fair use test, the court found that by placing the photographs in chronological order, DK's use was "transformatively different from the mere expressive use of images on concert posters or tickets."[77] Regarding the second fair use factor, the court found against DK because BGA's images were creative artworks. However, the court noted that where the work is found to be transformative under the first factor, the second factor becomes of limited use.[78]

Next, the court found that even though the images were reproduced in their entirety, "the third fair use factor weighed in favor of DK because the images were displayed in reduced size and scattered among many other images and texts."[79] In reaching this decision, the court noted that sister circuits "have concluded that such copying does not necessarily weigh against fair use because copying the entirety of a work is sometimes necessary to make a fair use of the image."[80] Similar to *Kelly*, the court noted that while the copyrighted images were copied in its entirety, the visual impact of its artistic expression was significantly limited due to its reduced size. This led the court to conclude, "that such use by DK is tailored to further its transformative purpose

68. *Id.* at 510 (citing Sony Corp. v. Universal City Studios, Inc., 464 U.S. 417 (1984)).

69. 92 F. Supp. 2d 349 (S.D.N.Y. 2000).

70. *Id.* at 350.

71. *See id.* at 351 ("for while subscribers to My.MP3.com are not currently charged a fee, defendant seeks to attract a sufficiently large subscription base to draw advertising and otherwise make a profit.").

72. *See id.* ("Here, although defendant recites that My.MP3.com provides a transformative 'space shift' by which subscribers can enjoy the sound recordings contained on their CDs without lugging around the physical discs themselves, this is simply another way of saying that the unauthorized copies are being retransmitted in another medium–an insufficient basis for any legitimate claim of transformation.").

73. *Id.*

74. 396 F.Supp.2d 476 (S.D.N.Y. 2005).

75. *Id.* at 481.

76. 448 F.3d 605 (2d Cir. 2006).

77. *Id.* at 609.

78. *Id.* at 613; *see also id.* at 612–13 ("Accordingly, we hold that even though BGA's images are creative works, which are a core concern of copyright protection, the second factor has limited weight in our analysis because the purpose of DK's use was to emphasize the images' historical rather than creative value.").

79. *Id.* at 613.

80. *Id.* (citing Kelly v. Arriba Soft Corp., 336 F.3d 811, 821 (9th Cir. 2003)).

because DK's reduced size reproductions of BGA's images in their entirety displayed the minimal image size and quality necessary to ensure the reader's recognition of the images as historical artifacts of Grateful Dead concert events."[81] Finally, looking to the fourth factor, the court first recognized that it did not find harm to BGA's license market simply because DK did not pay a fee for the copyrighted images.[82] Then, because DK's use of BGA's images was transformative, the court concluded that BGA did not suffer market harm due to the loss of license fees.[83]

ii. Google Book Search and Fair Use

Looking at the Second Circuit's binding case law as a whole demonstrates that Google would likely not fair well against copyright owners and publishers of books. While newer Second Circuit decisions have allowed the fair use doctrine to prevail, its application of the transformative standard differs significantly from that held in the Ninth Circuit.[84] Both the Ninth and Second Circuits have used *Campbell* to support its transformative analysis. However, *Bill Graham Archives* and *Blanch* appear to have adopted a different transformative standard than did *Kelly, Field* and *Perfect 10*. The differences between the standards is based on different weights to different values, "whereas the Campbell opinion recognized the value of new creative expression containing commentary that depends of previously created expression, the Ninth Circuit saw value in improving 'access to information on the Internet."[85] Thus, although *Bill Graham Archives* goes as far as citing to *Kelly*, both *Bill Graham Archives* and *Blanch* involved the unauthorized uses of copyrighted material to create new authorship.[86] Further, "both opinions indicate that uses, such as Google's, that do not involve the creation of new expression containing commentary are not transformative."[87]

81. *Id.*

82. *Id.* at 614.

83. *Id.* at 614-15.

84. Matt Williams, *Recent Second Circuit Opinions Indicate that Google's Library Project Is Not Transformative*, 25 Cardozo Arts & Ent. L.J. 303, 319 (2007).

85. *Id.* at 305–06.

86. *See id.* at 319 (noting that even though *Bill Graham Archives* cited *Kelly*, both *Bill Graham Archives* and *Blanch* "involved unauthorized uses of copyrighted material to create new authorship containing commentary, and both opinions indicate that uses that do not involve the creation of new expression containing commentary are not transformative.").

87. *Id.*

Thus, applying the fair use doctrine in the Second Circuit comes down to how the Second Circuit will rule on the transformative nature of Google's use. Since Google's use is commercial, it will have to make a strong showing of transformation in order to overcome this prong.[88] In *Blanch*, the Second Circuit did not hold Koons' work to be transformative solely because it found a new purpose or function for Blanch's photograph. Instead, the court cautiously explained that Koons' repurposing of Blanch's work involved the creation of new expression containing commentary.[89] Further, in *Bill Graham Archives,* the defendant was able to prevail because it presented its readers with information that augmented the value and effectiveness of the commentary in its new work.[90] Thus, *Bill Graham Archives,* cites *Kelly* for the narrow principle that it is important to use copyrighted material for a new purpose that provides the public with information.[91] The court did not cite *Kelly* for the broad principle that a use can be transformative for altering the function in order to increase access to information.[92] In fact, in *MP3.Com* the court found that retransmitting copies into another medium was insufficient to constitute as transformative.[93] In the Google Book Search, Google did not create new authorship with commentary. Despite the new webpages, databases, and search engine programs provided by Google, none of these features provide the public with new information. Thus, because Google adds no new commentary, it likely will not be found to be transformative. The lack of transformation coupled with the commercial nature of Google's use would likely lead Google to fail under the first prong.

Succeeding on the first prong is not always critical.[94]

88. *See* Fin. Info. Inc. v. Moody's Investors Servs., Inc., 751 F.2d 501, 508 (2d Cir. 1984) (holding that commercial use is "presumptively unfair").

89. Williams, *supra* note 83, at 319.

90. *Id.* at 323.

91. *Id.* at 321.

92. *Id.* at 323–24.

93. *See* UMG Recordings, Inc. v. MP3.com, Inc., 92 F.Supp.2d 349 (S.D.N.Y. 2000) ("Here, although defendant recites that My.MP3.com provides a transformative 'space shift' by which subscribers can enjoy the sound recordings contained on their CDs without lugging around the physical discs themselves, this is simply another way of saying that the unauthorized copies are being retransmitted in another medium-an insufficient basis for any legitimate claim of transformation").

94. *But see* Castle Rock Entm't, Inc. v. Carol Publ'g Group, 150 F.3d 132 (2d Cir 1998) (determining that the a trivia game of the television show *Seinfeld* was not transformative because its purpose was not to educate, criticize or expose viewers to the "nothingness" of the show, but to "repackage *Seinfeld* to entertain *Seinfeld* viewers."

The test balances each factor, and therefore if Google can come up strong on the other factors it can still succeed on fair use.[95] Unfortunately, not even Google advocates argue that Google will succeed on the second prong that looks at the nature of the work. Books are highly creative works and rest at the heart of copyright protection. Further, while the copying of an entire work has not bothered the Second Circuit, it has allowed such wholesale copying only when the work is transformative.[96] Because Google's use is probably not transformative by nature, the Second Circuit will likely compare such copying to *Moody's* rather than *Bill Graham Archives*. Finally, on the fourth factor, unlike in *Blanch* where the court found that the defendant's photograph was not a substitute for the plaintiff's photograph and was in no way competitive with it, it can be argued that Google is directly competing with books. Further, *Bill Graham Archives* will be of little use to Google, as the court concluded that BGA did not suffer market harm due to the loss of licensing fees only because DK's use of BGA's images were transformative. Here, as mentioned above, Google's use of the books is likely not transformative.[97] Therefore, although Google advocates argue it can make a strong showing that Google will not harm the copyright owners and publishers' market, based on Second Circuit case law, such a win is unlikely.

V. Conclusion

Failure at the Second Circuit might not be the end of the road for Google. With a split between the Ninth and Second Circuit on how to qualify a work as transformative, the Supreme Court may agree to take the case. However, following the holding in *Campbell* it is likely that the Court will side with the Second Circuit.[98] Further, it is interesting to note that the Second Circuit is a very well respected Circuit when it comes to copyright issues, and the Supreme Court may be more willing to take its interpretation of the transformative prong seriously. Already the Supreme Court has taken copyright cases from both the Ninth Circuit (*Grokster*) and the Second Circuit (*Tasini v. New York Times Co.*, Inc.[99]). The difference, however, is that the Supreme Court upheld the Second Circuit's ruling and sided with the writers while it unanimously overruled the Ninth Circuit that favored the infringers.[100]

Ultimately the question of whether the Supreme Court would take the Google Book Search case and whether it would rule in Google's favor is a question for another article. This article's focus was to ponder the possibility of a positive legal precedent, and then conclude that despite the sweeping changes that would come with new precedent, the likelihood of actually getting the Second Circuit to rule in Google's favor is slim. Thus, if the Second Circuit ruled against Google and the Supreme Court took the case and agreed with the Second Circuit, the Ninth Circuit would have to change its pattern of ruling in favor of fair use, at least to the extent of deeming a work transformative merely because it has been placed online. What would be the effects of a negative legal precedent?

Before Google entered settlement negotiations in 2007, a scholar described Google as "an intellectual property owner's worst enemy: a risk-taking iconoclast with deep pockets, seemingly unafraid to litigate licensing issues all the way to the Supreme Court."[101] Perhaps the scholar got it wrong; perhaps Google was afraid to litigate fair use "all the way to the Supreme Court." Or maybe Google realized that this was a battle it could only win

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Ultimately, the determination that the work was not transformative had a significant role in determining the other three factors. When looking at the second factor the court held that, "the fictional nature of the copyrighted work remains significant in the instant case, where the secondary use is at best minimally transformative." On the third prong the court specifically noted, "*The SAT* does not serve a critical or otherwise transformative purpose." Finally, on the fourth factor the court stated "the more transformative the secondary use, the less likelihood that the secondary use substitutes for the original.").

95. *See* Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569 (1994) ("All four factors are to be explored, and the results weighed together, in light of the purpose of copyright.").

96. *See* Bill Graham Archives v. Dorling Kindersley Ltd., 448 F.3d 605, 613 (2d Cir. 2006) (concluding that where the work is found to be transformative under the first factor, the second factor becomes of limited use. "Even though the copyrighted images are copied in their entirety . . . such use by DK is tailored to further its transformative purpose . . . .").

97. *Bill Graham Archives,* 448 F.3d at 614–15.

98. *See Campbell*, 510 U.S. at 583 (finding a parody transformative because the song at issue "reasonably could be perceived as commenting on the original or criticizing it to some degree."); *see also* Harper & Row, Publishers, Inc. v. Nation Enterprises, 471 U.S. 539, 543 (1985) (noting that defendant "attempted no independent commentary, research or criticism").

99. 533 U.S. 483 (2001).

100. *See also* Sony Corp. v. Universal City Studios, Inc, 464 U.S. 417 (1984) (reversing the Ninth Circuit's holding that petitioners were liable for contributory infringement); *Accord Harper & Row*, 471 U.S. at 542 (reversing the Second Circuit's decision that *The Nation's* act constituted a fair use.)

101. James Gibson, *Accidental Rights*, 116 Yale L.J. Pocket Part 348, 349 (2007).

by settling rather then fighting.[102]

102. *See* Hetcher, *supra* note 14 at 9. ("Google may believe that, by engaging in an all-out legal battle, the publishing industry will be forced into submission through a settlement on terms favorable to the Google Print project.").