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Miriam Marcowitz-Bitton

Dan Bombach

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Miriam Marcowitz-Bitton[*] *& Dan Bombach*[**]

I. INTRODUCTION

A Pew Internet survey in 2016 showed that public attitudes toward a library's role in communities are largely positive. The research indicated that the majority of Americans see themselves as lifelong learners who like to gather as much information as they can when they face something unfamiliar.[1] Although significant barriers to access remain, the open

[*]Prof. Miriam Marcowitz-Bitton is an Associate Professor at Bar-Ilan University Faculty of Law.

access movement and some search engine projects have made digital publications more available than ever.

Naturally, most users seeking information on the Internet do not begin with an academic search engine like Google Scholar or Google Books. However, a Google algorithm may direct users to those kinds of tools. Within academia, students and researchers rely heavily on academic web search engines for research.[2] Given these trends, academic librarians have a professional obligation to understand the role of academic search engines as part of the research process. These engines provide access to many copyrighted materials without the explicit permission of the rightsholders.

Authors Guild, Inc. v. Google Inc. (*Google Books*) is considered a watershed decision concerning the fair use doctrine. The United States District Court for the Southern District of New York held that Google's purpose in copying copyrighted works is highly transformative and does not adversely affect the markets for archiving copyrighted works. The Court of Appeals for the Second Circuit affirmed that holding,[3] and the U.S. Supreme court denied certiorari.[4]

We believe that this holding played a significant role in facilitating the creation of markets for archiving copyrighted works. This market facilitation role is atypical of the *fair use defense's usual role* and arguably does not fully consider the effect that the use could have upon the potential market for—or the value of—the copyrighted work. This article will critically review the role of the fair use defense as a market facilitator, examining whether it runs counter to the doctrine's primary underlying rationales of market failure and freedom of expression.

In Part II, the article explores the fair use doctrine, its legislative and judicial history, and its underlying theories and contours. A deep understanding of the doctrine's principles will contribute to a better understanding of the argument that this article advances. The purpose of

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**Dan Bombach is a third-year LL.B Candidate at Bar-Ilan University Faculty of Law.

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1. John B. Horrigan, *Libraries 2016*, PEW RESEARCH CENTER (Sept. 9, 2016), https://www.pewresearch.org/internet/2016/09/09/libraries-2016/ [https://perma.cc/4URV-A7LJ].

2. Simon Inger & Tracy Gardner, *How Readers Discover Content in Scholarly Publications*, 36 INFO. SERVS. & USE 81 (2016).

3. *Authors Guild*, 804 F.3d 202.

4. Adam Liptak & Alexandra Alter, *Challenge to Google Books Is Declined by Supreme Court*, N.Y. TIMES (Apr. 18, 2016), https://www.nytimes.com/2016/04/19/technology/google-books-case.html [https://perma.cc/W2NV-7PEZ].

the doctrine is to balance the owners' exclusive rights, provided by copyright law, with the public interest. Creating new markets for works arguably harms the copyright owner and undermines the incentive system created by copyright law.

In Part III, the article introduces the background of *Google Books* and briefly presents the decisions of the various courts in the case.

Part IV presents scholarly responses to the decisions in *Google Book*s, suggesting that most legal scholars support the courts' decisions.

In Part V, the article then reviews other projects modeled after the Google Books project, suggesting that *Google Books* facilitated the creation of a new market. This part shows how the *Google Book*'s decisions gave legitimacy to similar projects, creating a new market for archiving copyrighted works without the authors' permission. We argue that such market facilitation is not within the boundaries of the fair use defense and should be reconsidered.

Finally, in Part VI, we suggest that courts consider the fair use factors closely and give greater attention to the fourth factor, which deals with the implications of the specific use on the author's potential market.

II. THE FAIR USE DEFENSE

Intellectual property is considered a "public good" because it is inexhaustible once produced and because it is disproportionately difficult or expensive to prevent "free riders" from using it.[5] These characteristics may impair the incentives to create and distribute new original works. To overcome this market failure, legislators worldwide have enacted intellectual property laws, including copyright protections that provide authors with exclusive rights in their work, thus incentivizing the creation and distribution of original works.

As the intellectual property clause of the Constitution states, copyright protection aims to "promote the Progress of Science and useful Arts."[6] Starting in 1790, the U.S. Congress passed a series of copyright bills to establish an incentive system for authors to create original works.

5. *See* James Boyle, *The Second Enclosure Movement and the Construction of the Public Domain*, 66 L. & CONTEMP. PROBS. Winter 2003, at 33; Richard A. Epstein, *The Disintegration of Intellectual Property? A Classical Liberal Response to a Premature Obituary*, 62 STAN. L. REV. 455 (2010).

6. U.S. CONST. art. I, § 8, cl. 8; Mazer v. Stein, 347 U.S. 201, 219 (1954); Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975); Fox Film Corp. v. Doyal, 286 U.S. 123, 127–28 (1932); Campbell v. Acuff–Rose Music, Inc., 510 U.S. 569, 575 (1994).

The ultimate goal of those bills was not the authors' remuneration but rather the advancement and dissemination of culture and knowledge.[7]

Melville Nimmer has suggested another justification for the monopoly granted to the copyright holder, which is rooted in the interest of privacy: "An author may wish to create a work merely as an act of self-expression, intending it for himself alone, or for only a selected and limited group of others."[8] Yet, the exclusivity guaranteed by copyright also produces negative results in that it prevents others from expressing themselves efficiently by using protected works. These results are in tension with both the goals of copyright protection and the principle of freedom of speech.[9] Moreover, as Landes and Posner explain, copyright protection creates market distortion,[10] as an author's right to exclusivity produces anticompetitive effects such as monopoly pricing. As a result, copyrights not only incentivize the creation of new works—they also bring about economic distortions to markets. As Jeanne Fromer noted, "in furtherance of its overarching utilitarian goals, copyright law excuses some third-party uses that would otherwise be infringing by deeming them to be fair use." Fair use is therefore justified because it "can stimulate the production of creative works for public consumption without undercutting the value of the original copyrighted work too much."[11]

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7. Rosemont Enters. v. Random House, Inc., 366 F.2d 303, 307 (2d Cir. 1966); Berlin v. E.C. Publ'ns, 329 F.2d 541, 543–44 (2d Cir. 1964); Robert A. Gorman, *Copyright Protection for the Collection and Representation of Facts*, 76 HARV. L. REV. 1569, 1569 (1963); Jeanne C. Fromer, *Market Effects Bearing on Fair Use*, 90 WASH. L. REV. 615, 620–21 (2015); Ralph S. Brown, *Eligibility for Copyright Protection: A Search for Principled Standards*, 70 MINN. L. REV. 579, 592–96 (1985); Kyle Richard, *Fair Use in the Information Age*, 25 RICH. J.L. & TECH. 1 (2018).

8. Melville B. Nimmer, *Does Copyright Abridge the First Amendment Guarantees of Free Speech and Press*, 17 UCLA L. REV. 1180, 1187 (1970); *see also* William W. Fisher III, *Reconstructing the Fair Use Doctrine*, 101 HARV. L. REV. 1659, 1690, 92 (1988).

9. *Twentieth Century Music Corp.*, 422 U.S. at 152 ("The limited scope of the copyright holder's statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts. The immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good. . . .When technological change has rendered its literal ambiguous terms, the Copyright Act must be construed in light of this basic purpose.").
The work of Rebecca MacKinnon has demonstrated how copyright law is connected to more significant debates about free speech, digital rights, and internet freedom. *See* REBECCA MACKINNON, CONSENT OF THE NETWORKED: THE WORLDWIDE STRUGGLE FOR INTERNET FREEDOM (2013).

10. William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD. 325 (1989).

11. Fromer, *supra* note 7, at 621; *see also* Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1110 (1990) (suggesting that "[t]he doctrine of fair use limits the scope of the copyright monopoly in furtherance of its utilitarian objective" and in order to enjoy the fair use defense, "the use must be of a character that serves the copyright objective of stimulating productive

The fair use doctrine addresses this inherent tension by allowing limited, unauthorized use of copyrighted works under certain circumstances.[12] It thus balances the public's interest in creating and distributing original works with copyright owners' proprietary interest in their work.[13] Notably, however, Landes and Posner emphasized that the fair use doctrine should be interpreted narrowly. They argue that broad application could both hinder the market incentive to reduce transactional costs and yield scenarios in which users who are willing to pay for using a work—a socially desirable outcome—are nevertheless exempt from payment. Fair use should thus be applied only where the benefits of the use are greater than the cost of copyright protection.[14]

Wendy Gordon has stressed that it is not enough for the use to be socially desirable to fall within the fair use defense. Fair use can serve as an "economic justification for depriving a copyright owner of his market entitlement [] only when the possibility of consensual bargain has broken down in some way"—such as in the case of a market failure in general, and high transaction costs in particular.[15] Another necessary and related condition for applying the fair use defense is that "the use is more valuable in the defendant's hands or in the hands of the copyright owner."[16] Otherwise, we may undermine the free market and reduce incentives to create new works. Gordon's approach is similar to Landes and Posner's in that it suggests that fair use is aimed at preventing market failure.

Some have adopted a broader approach than Landes, Posner, and Gordon, suggesting that fair use can "cast a wider net, trying somehow to balance the value of the copyright interest against the social value of the

thought and public instruction without excessively diminishing the incentives for creativity."); Jeannine M. Marques, *Fair Use in the 21st Century:* Bill Graham *and* Blanch v. Koons, 22 BERKELEY TECH. L.J. 331, 334 (2007) ("At its core, fair use balances the inherent tension in copyright law between establishing an economic incentive for new works and fueling the production of works that build on these older creations.").

12. Marques, *supra* note 14, at 357; *see also* Fisher, *supra* note 8; Marques, *supra* note 11.

13. Sony Corp. v. Universal City Studios, Inc., 464 U.S. 417, 479 (1984); *see also* Pamela Samuelson, *Possible Futures of Fair Use*, 90 WASH. L. REV. 815 (2015). According to Samuelson, the policies that underlie modern fair use include promoting freedom of speech and expression, the ongoing progress of authorship, learning, access to information, truth-telling or truth-seeking, competition, technological innovation, and privacy and autonomy interests of users.

14. Landes & Posner, *supra* note 10, at 358.

15. Wendy J. Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and Its Predecessors*, 82 COLUM. L. REV. 1600, 1615, 1627–35 (1982); *see also* Lydia Pallas Loren, *Redefining the Market Failure Approach to Fair Use in an Era of Copyright Permission Systems*, 5 J. INTELL. PROP. L. 1, 48–56 (1997) (focusing on externalities).

16. Gordon, *supra* note 15.

use."[17] For example, Michael Madison argued that another justification for the fair use defense focuses on enabling creating an environment that facilitates expression, where applying copyright would stifle the creativity it is meant to foster.[18] This purpose of fair use may be one place in copyright where courts should find affirmative expression of the values underlying the First Amendment.[19]

Neil Netanel has also deviated from the economic analysis of copyright and fair use. Netanel focused instead on the public interest in free speech in the context of copyright and fair use, arguing that copyright is a potential impediment to free expression no less than an engine of free expression.[20] In Netanel's view, copyright should be delimited primarily by how it can truly serve as an "engine of free expression" and that copyright scope, duration, and character should be shaped to best further the First Amendment goals of robust debate and expressive diversity.[21]

Melville Nimmer has addressed the tension between copyright and freedom of speech, explaining that some areas demand limitations on copyright in favor of freedom of speech, but such limitations must be imposed cautiously so as not to undermine "the combined banners of the first amendment and fair use."[22] He argues that:

> There can be no first amendment justification for the copying of expression along with idea simply because the copier lacks either the will or the time or energy to create his own independently evolved expression. The first amendment . . . does not offer a governmental subsidy for the speaker, and particularly a subsidy at the expense of authors whose well-being is also a matter of public interest.[23]

Benjamin Damstedt has offered another rationale for the fair use defense, which is grounded in the Lockean theory of property. He argues that when a waste of proprietary rights takes place, the fair use defense is justified.[24] Fair use thus serves as a kind of penalty on the copyright owner who loses her exclusive right.[25] Damstedt's approach, however, is not punitive but rather utilitarian in nature. If the copyright owner does not

17. Michael J. Madison, *Rewriting Fair Use and the Future of Copyright Reform*, 23 CARDOZO ARTS & ENT. L.J. 391, 398 (2005).

18. *Id.*

19. *Id.*

20. NEIL WEINSTOCK NETANEL, COPYRIGHT'S PARADOX (2008).

21. *Id.* at 10.

22. Nimmer, *supra* note 8, at 1200–01, 1203–04.

23. *Id.* at 1203.

24. Benjamin G. Damstedt, *Limiting Locke*: *A Natural Law Justification for the Fair Use Doctrine*, 112 YALE L.J. 1179, 1194 (2003).

25. *Id.* at 1195–96, 1201.

exploit her property rights, there is a waste of resources. Therefore, the resource should be used by someone else, whose use can be facilitated through the fair use defense.[26]

William Fisher has identified a moral rationale for the fair use defense.[27] He argues that authors and inventors deserve a reward for their labor regardless of whether they would continue to create new works. He posits that fair use acts as a counterbalance, ensuring the creator's fair return while also ensuring the "artistic creativity for the general public good."[28]

Thanks to this balance, the fair use defense significantly contributes to creating original works. As Edward Lee points out, the fair use defense is also vital for the future of new technologies—such as social media, cloud computing, and digitization.[29] Another example of the link between innovation and fair use is in the Australian Productivity Commission's 2016 report. The Commission recommended adopting the fair use doctrine in place of the narrow set of "fair dealing" exceptions that currently exist in Australia. The Commission concluded that the doctrine of fair use would contribute to innovation, technological development, and new ways of using content in socially beneficial ways.[30]

A. The History of the Fair Use Defense in the United States

Fair use originated primarily from the fair abridgment cases[31] litigated in English courts during the 18th and 19th centuries.[32] The first footsteps of the fair use doctrine in the United States were in the 1841 case *Folsum v. Marsh*, in which Justice Story laid down the doctrine's foundations.[33] Fair use was eventually codified in Section 107 of the

26. Damstedt's approach could serve as a reason to allow the use of orphan works under fair use.

27. Fisher, *supra* note 8.

28. *Id.* at 1688–89.

29. Edward Lee, *Technological Fair Use*, 83 S. CAL. L. REV. 797, 800 (2010).

30. Mike Palmedo, *Australian Productivity Commission (APC) Recommends Adoption of Fair Use to Restore Balance in Copyright Law*, INFO. JUSTICE (May 2, 2016), https://infojustice.org/archives/35959 [https://perma.cc/273Y-XND6].

31. The process of making a shortened version or abstract of a longer text.

32. *See* Matthew Sag, *The Prehistory of Fair Use*, 76 BROOK. L. REV. 1371, 1373 (2011) (presenting a broader and more detailed overview of the development of the doctrine of fair use in England and its adoption in the United States).

33. Folsom v. Marsh, 9 F. Cas. 342, 348 (C.C.D. Mass. 1841) (holding that in deciding whether the use of a copyrighted work in the development of a new work is a "justifiable use," the court must "look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the

United States Copyright Act of 1976. The doctrine directs courts to consider four factors in making fair use determinations: (1) the purpose of the challenged use; (2) the nature of the copyrighted work; (3) the amount that was taken from the copyrighted work; (4) and actual or potential harms to the market for the work.[34]

Despite the centrality of the fair use doctrine in judicial decisions, it has been called "the most troublesome in the whole law of copyright."[35] To begin, the statutory list of factors is nonexhaustive.[36] Although courts have developed additional criteria to consider when determining whether a particular use is fair, no clear standard has emerged, resulting in great uncertainty.[37] Furthermore, Congress recognized that even among courts that have developed additional criteria, the factors they considered were "in no case definitive or determinative" but rather "provide[d] some gauge for balancing the equities."[38]

It is unclear how much weight a court should give to any one of the four factors, whether additional factors should be considered, or whether the analysis of any one of the factors is indispensable for a finding of fair use. Although these factors implicitly direct courts to ponder both the contribution to society and the possible impact on the author's economic interests from the use, the ambiguity of the fair use doctrine and its statutory formulation bring about inconsistency and unpredictability in its application.

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objects, of the original work."). However, the precise term "fair use" appeared only 28 years later in *Lawrence v. Dana*, 15 F. Cas. 26, 60 (C.C.D. Mass. 1869).

34. 17 U.S.C. § 107.

35. Dellar v. Samuel Goldwyn, Inc., 104 F.2d 661, 662 (2d Cir. 1939); Triangle Publ'ns, Inc. v. Knight-Ridder Newspapers, Inc., 626 F.2d 1171, 1174 (5th Cir. 1980).

36. The 1976 Copyright Act states that in determining whether the use is "fair" the factors to be considered shall include those listed in 17 U.S.C. § 107 (1976). The Act provides that the term "including" is "illustrative and not limitative." *Id.* at § 101. The Fifth Circuit recognized the open-ended nature of the statute, but also indicated that "normally these four factors would govern the analysis." *See Triangle Publ'ns, Inc.*, 626 F.2d at 1175 n.10.

37. Sony Corp. v. Universal City Studios, Inc., 464 U.S. 417, 475–76. In *Campbell v. Acuff–Rose*, the U.S. Supreme Court emphasized that this dynamic approach was a deliberate policy because the application of fair use cannot "be simplified with bright-line rules, for the statute, like the doctrine it recognizes, calls for case-by-case analysis." Campbell v. Acuff–Rose Music, Inc., 510 U.S. 569, 577 (1994). However, Pamela Samuelson argues that despite the necessity of a case-by-case analysis, fair use law is probably "more coherent and more predictable than many commentators have perceived once one recognizes that fair use cases tend to fall into common patterns." Pamela Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537, 2542 (2009).

38. H.R. REP. NO. 1476 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5679. The Court recognized that Section 107 requires a case-by-case analysis to determine if a use qualifies as a fair use, taking into consideration the four statutory factors. *See* Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 549 (1985).

Congress's failure to codify clear criteria for determining fair use means that the doctrine has evolved primarily through judicial interpretation.[39] Therefore, it is crucial to understand how courts have construed and weighed the different factors bearing on fair use over the last fifty years.

B. Evolution of Fair Use Defense Under Common Law in the 20th Century

The fourth factor, "the effect of the use upon the potential market for or value of the copyrighted work," has traditionally been perceived as the weightiest in the fair use analysis. *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*,[40] *Sony Corp. v. Universal City Studios, Inc.*,[41] and *Harper & Row, Publishers v. Nation Enter*prises[42] are illustrative. In these cases, the courts considered this factor the most important one and the focus of their fair use analysis.[43] In *Sony*, the Supreme Court highlighted the distinction between commercial and noncommercial uses.[44] The Court held that when the nature of the use is commercial, the use is presumed to be unfair. The dissent, however, offered an analysis along the lines we propose in this article, concluding that:

> Infringement [] would be found if the copyright owner demonstrates a reasonable possibility that harm will result from the proposed use. When the use is one that creates no benefit to the public at large, copyright protection should not be denied on the basis that a new technology that may result in harm has not yet done so.[45]

The dissent emphasized that depriving copyright holders of the ability to exploit a potential market and "to demand compensation from

39. Congress explicitly stated that the codification of fair use was intended to "'restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way' and intended that courts continue the common-law tradition of fair use adjudication." *Campbell*, 510 U.S. at 577 (quoting H.R. REP. NO. 1476, *supra* note 41, at 66; S. REP. NO. 94-473, at 62 (1976), *as reprinted in* U.S.C.C.A.N. 5659, 5679).

40. *Triangle Publications*, 626 F.2d 1171.

41. *Sony*, 464 U.S. 417.

42. Harper & Row, 471 U.S. 539.

43. *Triangle Publications*, 626 F.2d at 1175; *see also Harper & Row*, 471 U.S. at 602 ("the effect on the market is undoubtedly the single most important element of fair use"); Time Inc. v. Bernard Geis Assocs., 293 F. Supp. 130 (S.D.N.Y. 1968); Rogers v. Koons, 960 F.2d 301 (2d Cir. 1992).

44. *Sony*, 464 U.S. at 449 ("If the Betamax were used to make copies for a commercial or profit-making purpose, such use would presumptively be unfair. The contrary presumption [was] appropriate . . . .").

45. *Id.* at 482 (Blackmun, J., dissenting).

(or to deny access to) any group who would otherwise be willing to pay to see or hear the copyrighted work" constitutes a potential harm to the market and tips the fourth factor against fair use.[46] The Supreme Court ultimately concluded that the use in question was not infringing because the plaintiff did not prove that it offered a substitute for the original work and thus did not establish an adverse effect on its market value.[47] In *Harper & Row, Publishers, Inc. v. Nation Enterprise*, the Court similarly held that the fourth factor is "undoubtedly the single most important element of fair use."[48]

In its landmark decision, *Campbell v. Acuff–Rose Music, Inc.*, the Supreme Court reconsidered the weight given to each factor. The *Campbell* Court accorded the most significant weight to the transformative contributions of the challenged use, which is embodied in the first factor of the fair use doctrine.[49] The Court defined a transformative contribution as an addition to the original work with a different purpose or character, changing the original expression, meaning, or message.[50] Under this new approach, there are no "bright-line rules" for determining fair use, and the four factors should be considered together in light of the purposes of copyright protection. This reference to the "purposes of copyright" marked a significant development in the doctrine because it indicated the transfer of weight to the first factor of the fair use analysis—the purpose of the use. The Supreme Court held that the central purpose of the fair use doctrine is to allow transformative use.[51] As Justice Souter noted, transformative works "lie at the heart of the fair use doctrine's guarantee of breathing space within the confines of copyright."[52] Therefore, the Court held that "the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use."[53] Indeed, the Supreme Court recognized that there are situations in which even a use that harms the original work's market would be considered fair use.[54]

46. *Id.* at 485.

47. *Id.* at 456 (majority opinion).

48. *Harper & Row*, 471 U.S. at 566.

49. Campbell v. Acuff–Rose Music, Inc., 510 U.S. 569, 579, 591 (1994); Samuelson, *supra* note 13, at 818; Am. Geophysical Union v. Texaco Inc., 60 F.3d 913, 926 (2d Cir. 1994).

50. *Campbell*, 510 U.S. at 571.

51. *Id.* However, although transformative use serves as a premise to fair use, it is not a necessary condition. *See id.* at 579 ("Although such transformative use is not absolutely necessary for a finding of fair use . . . .").

52. *Id.*

53. *Id.* at 569.

54. *Id.* at 591–92 ("[W]hen a lethal parody, like a scathing theater review, kills demand for the original, it does not produce a harm cognizable under the Copyright Act.").

Although the *Campbell* Court considered the transformative nature of the new work as evidence that it did not harm the market of the original work, its perspective differs from that of the traditional approach to fair use. The absence of harm was considered a common consequence—but not a necessary condition—of the doctrine's applicability. The Court held that we must follow the purpose of copyright law, which is to enrich the variety of expressions. Therefore, a transformative use that adversely affects the original work's market may still be considered fair. The Court's analysis signifies a departure from the traditional view, expressed, for example, in *Rogers v. Koons*, where the Second Circuit held that "if an infringement of copyrightable expression could be justified as fair use solely on the basis of the infringer's claim to a higher or different artistic use—without insuring [sic] public awareness of the original work—there would be no practicable boundary to the fair use defense."[55] This approach attaches great importance to public awareness out of concern that the infringing work will diminish the original work's market. Under this pre-*Campbell* approach, finding that a use is transformative does not guarantee that it will be deemed fair use because the new use's effect on the market for the original must also be examined.

Campbell is also notable for its discussion of the difference between transformative uses and derivative works. Section 106(2) of the Copyright Act gives copyright owners an exclusive right to prepare derivative works based on their original work.[56] As defined in the statute, a derivative work takes a preexisting work and recasts, transforms, or adapts that work.[57] This transformation the statute contemplates is not the type of transformative use the Supreme Court addressed in *Campbell*. The transformative use at issue in *Campbell* requires not only a change in the content of the work but also in the manner in which it is used. Prior to *Campbell*, courts did not consider any use to be fair use if it included a wholesale copy of the original work.[58] Post-*Campbell*, the use of prior work for a new purpose—even a commercial purpose—may be considered transformative and thus subject to the fair use defense. Courts of appeals adopted this "transformative functionality" in later cases such

55. Rogers v. Koons, 960 F.2d 301, 310 (2d Cir. 1992).

56. 17 U.S.C. § 106(2).

57. 17 U.S.C. § 101.

58. *See* Matthew Sag, *Predicting Fair Use*, 73 OHIO ST. L.J. 47, 55–56 (2012). A notable exception to this was the Supreme Court's decision in *Sony*, where the Court concluded that in-home copying of free broadcast programming for time-shifting purposes was a fair use because it was non-commercial and merely allowed consumers to watch programs at a different time than they were invited to view them without charge. Sony also dubbed any commercial use as "presumptively . . . unfair." *See* Sony Corp. v. Universal City Studios, Inc., 464 U.S. 417, 449 (1984).

as *Suntrust Bank v. Houghton Mifflin Co.*,[59] *Blanch v. Koons*,[60] *Savage v. Council on American-Islamic Relations, Inc.*,[61] and *Bill Graham Archives v. Dorling Kindersley Ltd*.[62]

For example, in *Blanch v. Koons*, the Second Circuit noted that when assessing whether a particular use is fair, the most weight is placed on the first factor, i.e., the transformative nature of the use and its commercial nature. The court emphasized that the test for whether the use is transformative is whether it "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."[63] Where a new work is substantially transformative, other factors, including commercialism, are less significant. The court also noted that under the fourth factor, "the market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop."[64]

In addition, courts have also found a number of "non-expressive" uses, which are highly relevant in the context of *Google Books*, to be transformative, as illustrated in *Perfect 10 v. Amazon*[65] and *Kelly v. Arriba Soft Corp*.[66] In *Perfect 10*, the plaintiff sought a preliminary injunction to

59. Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257 (11th Cir. 2001) (holding that substantial copying of a novel in the service of criticism was regarded as transformative use).

60. Blanch v. Koons, 467 F.3d 244 (2d Cir. 2006) (holding that copying of a photograph to create a new work of art (collage painting) was considered transformative use).

61. Savage v. Council on American-Islamic Rels., Inc., No. C 07-6076 SI, 2008 WL 2951281 (N.D. Cal. July 25, 2008) (holding that copying without modification could be considered transformative after an Islamic organization copied and distributed anti-Islamic statements made by American conservative far-right author Michael Savage as part of a fundraising campaign); *see also* Hustler Magazine, Inc. v. Moral Majority, Inc., 796 F.2d 1148, 1153 (9th Cir. 1986) ("[A]n individual in rebutting a copyrighted work containing derogatory information about himself may copy such parts of the work as are necessary to permit understandable comment.").

62. Bill Graham Archives v. Dorling Kindersley Ltd., 448 F.3d 605 (2d Cir. 2006) (holding that the use of full concert posters in a book in a scaled-down form changed the purpose of the use and was therefore considered fair use).

63. *Blanch*, 467 F.3d at 246 (quoting Campbell v. Acuff–Rose Music, Inc., 510 U.S. 569, 579 (1994)).

64. *Campbell*, 510 U.S. at 592.

65. Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1165–66 (9th Cir. 2007) (holding that storing copyrighted images in a scaled-down manner by Google was considered "highly transformative" because Google used those images not for their original expression purposes but to create an index, and because of the significant "public benefit" of Google's search engine).

66. Kelly v. Arriba Soft Corp., 336 F.3d 811, 818–19 (9th Cir. 2003); *see also* A.V. *ex rel.* Vanderhye v. iParadigms, LLC, 562 F.3d 630, 645 (4th Cir. 2009) (finding that automatic processing of students' work by software for the purpose of plagiarism-detection was considered fair use). For a full discussion of the application of the fair use doctrine to automated and nonexpressive uses see Matthew Sag, *Copyright and Copy-Reliant Technology*, 103 NW. U. L. REV. 1607, 1610–24, 1645–56 (2009).

prohibit Amazon and Google from displaying "thumbnails" of images to which Perfect 10 owned the copyrights, which were published on third-party websites. Perfect 10 markets and sells its copyrighted images, and it also licenses sales and distribution rights for reduced-size copyrighted images for download and use on cell phones. In addition, it operates a subscription service that allows paid subscribers to view exclusive images that are not displayed in Google search results.

In analyzing whether the display of "thumbnails" amounted to fair use, the court considered the first factor to be the most significant.[67] The court emphasized the significance of the transformative nature of the work and found that Google's use was highly transformative because the search engine transforms the image into a pointer that directs a user to a source of information rather than a source of entertainment. In this way, the court reasoned, the use provided a social benefit by incorporating an original work into a new work—an electronic reference tool—that serves a different function than the original work.[68] The court's decision reflects the *Campbell* principle that the more transformative the new work, the less significant the remaining factors, such as commercialism, which may weigh against a finding of fair use. Nevertheless, the *Perfect 10* court considered the fourth factor and concluded that because the use was highly transformative, market harm cannot be presumed.

Similarly, in *Kelly v. Arriba Soft Corp.*, the plaintiff challenged the internet search engine Arriba's display of thumbnails of Kelly's copyrighted images in search results.[69] Considering whether Arriba's use was fair, the court noted that the more transformative the new work, the less important the other factors, including commercialism.[70] Although Arriba's use was commercial, it did not use Kelly's images directly to promote its commercial uses. Similar to the court's reasoning in *Perfect 10*, the *Kelly* court noted that while Kelly's images served an artistic purpose, Arriba's use "functions as a tool to help index and improve access to images."[71] Arriba's use had a different function than Kelly's use and did not merely reproduce the work on a different medium.[72] Regarding the fourth factor, the court noted that "[a] transformative work is less likely to have an adverse impact on the market of the original than a work that merely supersedes the copyrighted work" and ruled that

67. *Perfect 10, Inc.*, 508 F.3d at 1165–66.
68. *Id.* at 1165.
69. *Kelly*, 336 F.3d at 811.
70. *Id.* at 818.
71. *Id.*
72. *Id.*

"Arriba's use of Kelly's images in its thumbnails are not a substitute for the full-size images, which can be found only on Kelly's page."[73] It thus concluded that the fourth factor also weighed in favor of fair use.

These decisions can be viewed as supporting Google's position in the *Google Books* case since Google's use arguably offers a product that is not a substitute for the original works but instead offers an archiving service that serves a very different function than the original works.

UMG Recordings, Inc. v. MP3.com, Inc. stands in contrast to the foregoing cases. [74] There, UMG sued MP3.com for archiving songs and allowing users to stream them on demand. UMG argued that this use was infringing and harmed the licensing markets. The court held that the use was not fair use. Regarding the first factor, it found that the use was commercial in nature and that copying a work to have it "retransmitted in another medium [is] an insufficient basis for any legitimate claim of transformation."[75] With respect to the fourth factor, the court held that "[a]ny allegedly positive impact of defendant's activities on plaintiffs' prior market in no way frees defendant to usurp a further market that directly derives from reproduction of the plaintiffs' copyrighted works."[76] Notably, the court viewed the right to enter a new potential market as a part of the property right protected by copyright law, which includes "the right, within broad limits, to curb the development of such a derivative market by refusing to license a copyrighted work or by doing so only on terms the copyright owner finds acceptable."[77] The court concluded that any infringement of this right qualifies as harm to the potential market for, or to the value of, the copyrighted work, and thus tips the scale against fair use. [78]

In *American Geophysical Union v. Texaco Inc.*, the Second Circuit again considered the fair use defense in circumstances similar to those in *Google Books*.[79] AMG sued Texaco, claiming that the systematic photocopying of copyrighted articles from a journal to which AMG owned the copyright to avoid purchasing additional subscriptions was an infringing use that harmed both the subscription market and the photocopying licensing market. Considering the first factor in Texaco's fair use defense, the court found that although copying portions of an

73. *Id.* at 821.
74. UMG Recordings, Inc. v. MP3.com, Inc., 92 F. Supp. 2d 349 (S.D.N.Y. 2000).
75. *Id.* at 351.
76. *Id.* at 352.
77. *Id.*
78. *Id.*
79. Am. Geophysical Union v. Texaco Inc., 60 F.3d 913, 926 (2d Cir. 1994).

article into a more practical or durable form could be transformative, copying complete articles for the primary purpose of creating multiple individual archives for Texaco workers was not transformative.[80] Under the fourth factor, the court considered the impact on the value of individual articles and held that, at best, there was only a minor impact on the subscription market.[81] Nevertheless, because there was a potential market for "photocopying licenses" that could be harmed by the use, the use was infringing.[82] The court noted that the fourth factor was relevant only if there was an impact on potential licensing revenues for traditional, reasonable, or likely-to-be-developed markets, noting that "the right to seek payment for a particular use tends to become legally cognizable under the fourth fair use factor when the means for paying for such a use is made easier."[83]

In these latter decisions, the courts considered archiving and the possibility of entering a new potential market as within the property rights protected by copyright law and held that such uses by others were infringement rather than fair uses of the works.

Recently, however, in *Google LLC. v. Oracle America, Inc*., the Supreme Court has broadly interpreted the scope of the fair use defense.[84] In that case, Oracle, the owner of a copyright in a computer program that uses the popular Java programming language, challenged Google's use of Oracle's code to create its Android operating system. The Court considered whether Google's use amounted to fair use under copyright law. Evaluating the first factor, the court found that Google's use of Oracle's code, combined with Google's new and original code, reflected "different kinds of capabilities" than the original code and concluded that the first factor weighed in favor of fair use.[85] Regarding the fourth factor, the court evaluated the amount of potentially lost revenue, the source of the loss, and the likely public benefits of the copying. The Court held that Oracle was unlikely to succeed in its competition with Google and that the cause of the lost revenue was that users and programmers relied on and were accustomed to Google's product, not because of the copied code. It held further that the public interest in the future creativity of new

80. *Id.* at 922–923.
81. *Id.* at 927–929.
82. *Id.* at 931.
83. *Id.* at 930–31.
84. Google LLC v. Oracle Am., Inc., 141 S. Ct. 1183 (2021).
85. *Id.* at 1202.

programs would be harmed if the copyright were enforced. Accordingly, the Court concluded that Google's use was a fair use.[86]

Google LLC. is especially notable for its dissenting opinion. The dissent considered the first fair use factor as the second-most important and characterized Google's use of the code as derivative, not transformative, noting that "[a] work that simply serves the same purpose in a new context . . . is derivative, not transformative."[87] The dissent noted that the majority's new definition of transformative—"a use that will help others 'create new products' . . . eviscerates copyright."[88] Additionally, the dissent regarded the fourth factor as the single most important in determining fair use and observed that by using Oracle's copyrighted code to develop and release Android, Google diminished Oracle's potential market in at least two ways: (1) by releasing Android for free, Google "eliminated the reason manufacturers were willing to pay to install the Java platform," which was part of Oracle's income; and (2) by harming Oracle's ability to enter into licensing agreements.[89] While the dissent accorded significant weight to the impact on the market harm to Oracle, the majority decision affirmatively allowed such harm, further developing Google's market.

David Nimmer has criticized applying the "transformative use" doctrine in cases where the use of the new work did not change the expression of the original copyrighted work.[90] Nimmer argues that the term "transformativeness" has no content and is merely synonymous with a finding of fair use for certain judges. Pamela Samuelson breaks down "transformative uses" into three separate clusters: "transformative uses, productive uses, and orthogonal uses."[91] Samuelson defines "transformative uses" as those that modify a preexisting work by creating a new one, whether to criticize the preexisting work or simply as an expression of artistic imagination.[92] She characterizes "productive uses" as those that iteratively copy some or all of the preexisting work while preparing a new work that is critical of the first.[93] Samuelson describes

86. *Id.* at 1208.

87. *Id.* at 1219 (Thomas, J., dissenting).

88. *Id.*

89. *Id.* at 1216.

90. DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05 (2011) (Nimmer argues that those Second Circuit cases "appear to label a use 'not transformative' as a shorthand for 'not fair,' and correlatively 'transformative' for 'fair.' Such a strategy empties the term of meaning—for the 'transformative' moniker to guide, rather than follow, the fair use analysis, it must amount to more than a conclusory label.").

91. Samuelson, *supra* note 37, at 2544. Samuelson's proposal was not adopted by the courts.

92. *Id.* at 2548–55.

93. *Id.* at 2555–56.

"orthogonal uses" as those that make iterative copies of the whole or significant parts of a copyrighted work for a very different speech-related purpose than the original, such as an activist organization's distribution of copies of an opponent's work in its fundraising materials to highlight the adversity the organization faces.[94] Samuelson suggests that courts should not label "orthogonal uses" as "transformative uses" to create coherence in copyright law.[95]

It bears noting that in some fair use cases, courts have gone to great lengths to define the copyright owner's purpose and market in such a limited way that there is no chance that the defendant's use will harm it. For example, in *Perfect 10*, the court declined to recognize a potential market for downloading thumbnails, even though the plaintiff was engaged in active efforts to exploit such a market.[96] An even more striking example is *Cariou v. Prince*.[97] The defendant in *Prince*, a well-known painter and photographer, used images from Cariou's book without authorization. The court found that Prince's works would not affect Cariou's market because Prince sold his works to a specific audience—"the wealthy and famous"—at high prices, while Cariou targeted the general public.[98]

Exploring trends pertaining to the first and fourth fair use factors in case law, Barton Beebe conducted an empirical study on the fair use defense in court decisions between 1978 and 2005 and found that the fourth element has had the most significant impact, even more than the transformative contribution of the use.[99] Beebe's research shows that despite the Court's decision in *Campbell*, the importance of transformativeness has been greatly exaggerated and that a significant number of decisions do not rely on transformativeness.[100] The data reveals that even after *Campbell* (and until 2005), "the fourth factor analysis remains the most influential on the outcome of the overall test . . . . The fourth factor essentially constitutes a metafactor under which courts

94. *Id.* at 2557–59.

95. *Id.* at 2557.

96. Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1168 (9th Cir. 2007).

97. Cariou v. Prince, 714 F.3d 694 (2d Cir. 2013). Like Google in *Perfect 10*, Prince justified his work as fair use on the basis of "transformative purpose." However, unlike Google, Prince did not take Cariou's entire photographs, but rather used significant portions them along with additional material (to varying degrees in different works).

98. *Id.* at 709.

99. Barton Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions, 1978–2005*, 156 U. PA. L. REV. 549 (2008).

100. *Id.* at 605. That being said, in the cases that did find that a use is transformative, the court almost always ruled in favor of a finding of fair use.

integrate their analyses of the other three factors and, in doing so, arrive at the outcome not simply of the fourth factor, but of the overall test."[101]

Neil Netanel picked up where Beebe left off and provided an empirical analysis of all fair use cases from 2006 until 2010.[102] Netanel shows that after 2005, courts began to place more importance on the first fair use factor and on the transformativeness of the use. His research reveals an ongoing conflict between transformativeness and market effect, in which courts disagree over which is the more significant factor.[103] Until 2005, the market effect was considered the most important factor. Netanel shows that since 2005, however, the fair use doctrine has been overwhelmingly dominated by the Leval-*Campbell* transformative use doctrine.[104] Furthermore, and continuing with the pattern uncovered by Beebe, there has been a very high correlation between a court finding a transformative use and its eventual ruling that the use is fair.[105] Additionally, within the first factor, there has been a sharp decline in court inquiries into the commercial nature of the use.[106] The data also uncovered, alongside the rise of transformativeness, a simultaneous decline in the significance of the fourth factor, partly because "courts find that a use that is unequivocally transformative causes no market harm."[107] In conclusion, Netanel demonstrates that nowadays, the first factor is the focal point of the fair use analysis, especially if the courts find the use transformative.[108]

In another empirical study, Sag analyzed over 280 fair use cases from 1978 to 2011 and showed that "transformative use by the defendant is a robust predictor of a finding of fair use" and that "the contrast between the significance of direct commercial use and the insignificance of commercial use overall reinforces the dominance of transformative use over other factors."[109] Regarding the fourth factor, Sag shows that in practice, it is not a factor at all, given the way courts apply it.[110]

In a more recent investigation, Beebe continued his study and found that contrary to Netanel's primary findings, much has remained the same

101. *Id.* at 617.
102. Neil Weinstock Netanel, *Making Sense of Fair Use*, 15 LEWIS & CLARK L. REV. 715 (2011).
103. *Id.* at 734.
104. *Id.* at 736.
105. *Id.* at 740.
106. *Id.* at 742.
107. *Id.* at 743.
108. *Id.* at 745.
109. Sag, *supra* note 58, at 84.
110. *Id.* at 63–64.

in the fair use case law after 2005. The first and fourth factors continued to carry most of the weight in courts' analyses, but the superiority of the fourth factor over the first factor remained constant.[111] Beebe suggests that the reason for the significant weight given to the fourth factor is that "courts typically treat factor four as essentially a 'metafactor' in which they integrate their analyses of the preceding three factors. In doing so, they balance the justification for the defendant's use of a work against its effect on the plaintiff's economic incentives to create and further exploit that work."[112]

Beebe agrees that there has been an increase in courts' interest in the application of transformativeness and that it remains a dominant factor in their analyses of the fair use defense. Yet this dominance does not stem from the importance the court attaches to the factor itself. Rather, it results from a robust correlation between transformativeness and the finding that defendant's use did not have a materially adverse effect on the potential market for the original work—a consideration that is examined under the fourth factor.[113] Beebe's perspective is similar to the distinction we made between the new line adopted by the Supreme Court in *Campbell* and the traditional approach. Both Beebe and Netanel show that there has been an increase in judicial interest in the transformative nature of the use. However, they interpret this change differently. Beebe suggests that the traditional approach still prevails and that courts continue to assign the greatest weight to the fourth factor, with transformativeness a corollary consideration. By contrast, Netanel argues that courts view transformativeness as the primary consideration, and the more transformative a use is, the less it will adversely affect the market for the original work; separate consideration of the fourth factor is unnecessary.

Beebe's study also found that within the first factor, which remains a significant consideration bearing on fair use, transformativeness is still heavily weighed compared to other sub-factors, such as the commercial nature of the use.[114] Regarding the fourth factor, the study shows that,

111. Barton Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions Updated, 1978–2019*, 10 N.Y.U. J. INTELL. PROP. & ENT. L. 1, 4, 33–36 (2020) ("Of the 169 core opinions that found that factor four disfavored fair use from 1978 through 2019, all but three ultimately found no fair use, and none of the three outlying opinions that found fair use offers particularly compelling analysis to explain its divergence between factor four and the overall outcome. Meanwhile, of the 154 opinions that found that factor four favored fair use, all but nine found fair use. A majority of these nine outlying opinions ruled that factor four favored the defendant because there was no market for the plaintiff's work.").

112. *Id.* at 34.

113. *Id.* at 28.

114. *Id.* at 25.

unlike Netanel's conclusion, courts continue to apply the "*Sony* factor one commerciality presumption."[115]

A recent empirical study by Asay, Sloan, and Sobczak, in which they examined fair use cases between 1991 and 2017, found that there has been a rise in the significance of transformativeness as a consideration in assessing fair use.[116] Regarding the types of uses considered to be transformative, the study concludes that "[o]verall, it remains difficult to say what types of alterations or new uses courts are likely to deem transformative."[117] The study also found that "the fourth factor receives less deference in how courts apply fair use," which these scholars consider a sensible and positive development, noting that the fourth factor "has been notoriously difficult to apply."[118]

With respect to the types of uses discussed in *Google Books*, Pamela Samuelson has examined how courts deal with access to information-promoting uses such as those used by search engines.[119] She lists the factors that courts have considered relevant in these cases: whether the putative fair user facilitates better access to publicly available copyrighted works; whether the information-access tool makes searches more efficient and effective; whether copying is necessary or reasonable to facilitate better access; whether transaction costs for seeking and obtaining permission are such that a market cannot readily be formed; and whether the information-access tool made by the defendant supersedes or supplants the market for the copyright owner's work. In Samuelson's view, when the alleged infringer's information-access tool enhances the market and value of the copyrighted work, this should be counted as a positive factor for fair use. Samuelson also suggests that other factors should be considered, such as whether the copyright owner made the work available on open access sites on the Internet and declined an opportunity to opt out of the information-access tool. These considerations bear on the commerciality of the defendant's purpose and, in her view, should be given little weight since developing useful information-access tools is sufficiently expensive that the defendant would most likely need to recoup its expenses.[120]

115. *Id.* at 30.

116. Clark D. Asay, Arielle Sloan, & Dean Sobczak, *Is Transformative Use Eating the World?*, 61 B.C. L. REV. 905, 931 (2020).

117. *Id.* at 954.

118. *Id.* at 959.

119. Samuelson, *supra* note 37, at 2614–15.

120. *Id.* at 2615.

Some scholars have argued that the fourth factor is the most significant to fair use and should not be supplanted by transformativeness because "in order to protect a copyright holder, the market for that author's product must be protected."[121] These commentators have also suggested that transformativeness should not be accorded the greatest weight in a fair use analysis because of the inconsistency in its application, arguing that the fourth factor is easier and simpler to apply, leading to more consistent decisions.[122]

Landes seems to justify transformativeness on an economic basis. He suggests that courts should treat productive uses of a borrowed work more favorably than reproductive uses, explaining that productive uses such as parodies transform the original work into a new work and are unlikely to substitute for the original work or reduce anticipated licensing revenues in any substantial way. Reproductive uses, by contrast, are more likely to substitute for the original work and, therefore, to have negative effects on the incentives to create that work in the first instance.[123]

In *Google Books*, which we discuss below, the Court of Appeals for the Second Circuit continued *Campbell*'s line of analysis and placed great importance on the transformative contribution of the use. This line of thinking is not entirely surprising in light of the decisions described above. Still, the breadth of this decision and its potential impact on creators' ability to control the uses of their works and get paid for them was unprecedented.

III. AUTHORS GUILD, INC V. GOOGLE INC.

In 2004, Google Inc., which owns and operates the largest search engine in the world, established a publicly available service called Google Books Service (GBS) that allows users to search for books that Google has scanned and stored in its digital database. The search offers a preview (or "snippet view," as opposed to a "full view") of these books and, in

121. Ashten Kimbrough, *Transformative Use vs. Market Impact: Why the Fourth Fair Use Factor Should Not Be Supplanted by Transformative Use as the Most Important Element in a Fair Use Analysis*, 63 ALA. L. REV. 625, 635, 640 (2012).

122. Tim Kingsbury, *Copyright Paste: The Unfairness of Sticking to Transformative Use in the Digital Age*, 2018 U. ILL. L. REV. 1471, 1498, 1500 (2018); *see also* Thomas F. Cotter, *Transformative Use and Cognizable Harm*, 12 VAND. J. ENT. & TECH. L. 701, 704, 726–27, 736 (2010) (arguing that market harm should be the more important factor of fair use, proposing a new model of market harm under which "[t]he overarching question that courts should be asking in resolving fair use disputes is whether the use at issue threatens the plaintiff with harm of the type the copyright laws were intended to prevent").

123. William M. Landes, *Copyright, Borrowed Images, and Appropriation Art: An Economic Approach*, 9 GEO. MASON L. REV. 1, 7–8 (2000).

several countries, the option to buy the full-text book.[124] The books are provided either by publishers, authors, or other right holders through the Google Books Partner Program[125] or by the library partners[126] through the Library Project.[127]

However, many of the scanned books were under copyright, and Google did not obtain permission from the copyright holders for its use of their copyrighted works. In September 2005, the Authors Guild, a writers' advocacy group, initiated a class-action lawsuit in the U.S. District Court for the Southern District of New York, claiming copyright infringement.[128] Plaintiffs sought injunctive and declaratory relief as well as damages. Google responded that its actions constituted "fair use," which is not considered infringement under the Copyright Act.[129]

Before the court ruled on the issue, the parties reached a settlement, which was later amended as explained below.

A. The First Proposed Settlement Agreement

In October 2008, the parties announced a settlement agreement.[130] Under this agreement, Google was authorized to continue to scan the books into its database, sell subscriptions to an electronic book database, sell online access to individual books, sell advertising on pages from books, and make certain other prescribed uses. The terms of the agreement also included a total payment by Google of 125 million dollars: 45 million to the rightsholders whose copyrights had allegedly been infringed; 15.5 million for the publishers' legal fees; 30 million to the authors' lawyers; and 34.5 million to create a Book Rights Registry, which is a form of a copyright collective rights organization, to collect revenues from Google and distribute them to rightsholders. The agreement further provided that

124. *Partner Center Overview*, GOOGLE PLAY BOOKS PARTNER CENTER HELP, https://support.google.com/books/partner/answer/3244021 [https://perma.cc/JN4V-39EM].

125. *An Introduction to the Google Books Partner Program*, GOOGLE PLAY BOOKS PARTNER CENTER HELP, https://support.google.com/books/partner/answer/3324395 [https://perma.cc/HZ9Q-DWMT].

126. This project includes the New York Public Library, the Library of Congress, and several university libraries.

127. *About the Library Project*, GOOGLE PLAY BOOKS PARTNER CENTER HELP, https://support.google.com/websearch/answer/9690276 [https://perma.cc/M4E9-B6JK].

128. Authors Guild, Inc. v. Google Inc., 954 F. Supp. 2d 282 (S.D.N.Y. 2013).

129. 17 U.S.C. § 107.

130. .Miguel Helft & Motoko Rich, *Google Settles Suit over Book-Scanning*, N.Y. TIMES (Oct. 28, 2008), https://www.nytimes.com/2008/10/29/technology/internet/29google.html [https://perma.cc/9TRX-G8U5]; *Authors, Publishers, and Google Reach Landmark Settlement*, GOOGLE PRESS CENTER (Oct. 28, 2008), http://googlepress.blogspot.com/2008/10/authors-publishers-and-google-reach_28.html [https://perma.cc/HAF2-Z83B].

Google would receive 37% of the revenue, while the authors and publishers would split the remaining 63%.[131]

Pursuant to the settlement, GBS would continue to search the contents of books, but instead of returning "snippets," it would display content based on the book's classification into one of three categories.[132] The first category is public domain books, which comprise an estimated 20% of the GBS collection, and which users would continue to be able to view in their entirety. The second category is copyrighted books that are commercially available (i.e., that are available for sale through customary trade channels such as Amazon). GBS agreed to display only bibliographic information and "front material" (copyright page, table of contents, index, etc.) for this type of book, which accounts for about 10% of the GBS collection. The third category is books that are under copyright protection but are not commercially available. Around 70% of GBS books are in this category. Per the settlement agreement, users could view up to 20% of a book's text (with some restrictions). Rightsholders could, however, choose to deviate from these default settings and individually set the portions of their books available for users to view.[133]

It was also agreed that institutions and individual users would have the option of paying for permanent online access to the full content of digitized books. The initial price of the institutional subscription would be set concerning the price of products and services "comparable" to GBS and would vary based on the type of institution (e.g., a corporation, a library, or a government office) and the number of its members.

Further, there would be a separation between public and academic libraries. Public libraries would be provided a single GBS terminal, which would display the entire content of the Institutional Subscription Database (ISD). This database would comprise all books that are copyright protected but not commercially available. Academic libraries would be allowed to have multiple terminals with such access, based on the number of full-time students enrolled. Institutions could also purchase

131. Authors Guild, Inc. v. Google, Inc., 770 F. Supp. 2d 666, 671–72 (S.D.N.Y. 2011) (denying motion for final approval of amended settlement); *Authors, Publishers Settle with Google over $125 Million Lawsuit*, TECHCRUNCH (Oct. 28, 2008), https://techcrunch.com/2008/10/28/authors-and-publishers-associations-settle-with-google-over-125-million-lawsuit/ [https://perma.cc/RL4F-Z289]; Stephanie Condon, *Google Reaches $125 Million Settlement with Authors*, CNET (Oct. 28, 2008), https://www.cnet.com/tech/tech-industry/google-reaches-125-million-settlement-with-authors/ [https://perma.cc/5FUH-XFRY]; *Authors, Publishers, and Google Reach Landmark Settlement*, *supra* note 133.

132. Pamela Samuelson, *Google Book Search and the Future of Books in Cyberspace*, 94 MINN. L. REV. 1308, 1309 (2010).

133. *THE GOOGLE BOOK SEARCH SETTLEMENT*, BERKMAN KLEIN CENTER (May 21, 2014), https://cyber.harvard.edu/iif/The_Google_Book_Search_Settlement [https://perma.cc/J4FE-NWEC].

subscriptions to the ISD. "Fully participating libraries" would receive digital copies of any book scanned from their collection, including those scanned from another library, provided that the library digitized a sufficient portion of their collection. In essence, these terms would have created a Book Rights Registry, enabling access to the GBS corpus through public-library terminals.

The settlement agreement included opt-out provisions that authors could invoke until September 4, 2009. It required the court's approval after a hearing to become final.

B. Criticism of the Agreement

The settlement agreement was heavily criticized.[134] Indeed, because the impact of the settlement went beyond the U.S. and was relevant to authors worldwide, it produced strong international objections. For example, some European governments were critical of the agreement, and many European newspapers voiced their concerns.[135]

Siva Vaidhyanathan argued that the agreement granted excessive power to Google and would pose a danger to the doctrine of fair use, which would result in the doctrine's judicial limitation.[136] He asserted that GBS in its current form endangers the stability of the library system because Congress was likely to see the Google and its academic partners' excessive power as a threat requiring action, yet amending the Copyright Act to limit their power could result in significant and unjustified restrictions on copyright holders' exclusive rights.[137] Ursula K. Le Guin announced her resignation from the Authors Guild following the settlement, claiming that the leadership of the Guild had "sold the authors" and that the agreement threatened "the whole concept of copyright." She

134. *Google Settlement "Fundamentally Unfair to Writers,"* AM. SOC'Y OF JOURNALISTS & AUTHORS (Feb. 18, 2010), https://www.asja.org/who-we-are/media-releases/google-settlement-fundamentally-unfair-to-writers/ [https://perma.cc/6HBG-636L]. For a summary of the objections made by various entities see BRANDON BUTLER, THE GOOGLE BOOKS SETTLEMENT: WHO IS FILING AND WHAT ARE THEY SAYING? (2009). For an overview of the debates concerning the settlement see Sarah Glazer, *Future of Books*, 19 CQ RESEARCHER 473 (2009).

135. Kevin J. O'Brien & Eric Pfanner, *European Opposition Mounts Against Google's Selling Digitized Books*, N.Y. TIMES (Aug. 23, 2009), https://www.nytimes.com/2009/08/24/technology/internet/24books.html [https://perma.cc/39MY-8UAU].

136. Siva Vaidhyanathan, *The Googlization of Everything and the Future of Copyright*, 40 U.C. DAVIS L. REV. 1207, 1207–08 (2007).

137. *Id.* at 1230.

launched a petition against the settlement, which approximately 300 authors signed.[138]

Harvard's libraries also were not pleased with the settlement terms and threatened to discontinue their partnership with Google unless the arrangement was revised to include more "reasonable terms."[139]

C. Second Proposed Settlement Agreement

As a result of these criticisms, Google proposed an amended settlement that would transform the snippet-view platform into an online bookstore and subscription service.[140] Google negotiated this settlement with representatives of both the Authors Guild and the Association of American Publishers (AAP). The representatives of these entities purported to act on behalf of all copyright holders with one or more books that are or may become part of the GBS corpus.

The amended agreement included several significant changes. Books published outside the United States were limited to those registered with the U.S. Copyright Office or published in the UK, Canada, or Australia. The agreement stipulated that the Books Rights Registry would include board members from the UK, Canada, and Australia.[141] This condition was intended to provide the rightsholders with flexibility and to improve their position in renegotiating their terms.[142]

In 2011, the district court reviewed the amended settlement agreement according to the nine factors established in *City of Detroit v. Grinnell Corp*.[143] These factors are used to determine whether a class

138. Alison Flood, *Ursula Le Guin Leads Revolt Against Google Digital Book Settlement*, GUARDIAN (Jan. 22, 2010, 11:32 AM), https://www.theguardian.com/books/2010/jan/22/ursula-le-guin-revolt-google-digital [https://perma.cc/Q7BN-PPSP].

139. Laura G. Mirviss, *Harvard-Google Online Book Deal at Risk*, HARVARD CRIMSON (Oct. 30, 2008), https://www.thecrimson.com/article/2008/10/30/harvard-google-online-book-deal-at-risk/ [https://perma.cc/4GWR-NLC4].

140. Pamela Samuelson, *The Google Book Settlement as Copyright Reform*, 2011 WIS. L. REV. 479, 481 n.1 (2011); Settlement Agreement, Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136, 2009 WL 3617732 (S.D.N.Y. Oct. 28, 2008); Amended Settlement Agreement, Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136-DC, 2009 WL 3617732 (S.D.N.Y. Nov. 13, 2009).

141. Keach Hagey, *Understanding the Google Publishing Settlement*, NATIONAL (Mar. 16, 2010), https://www.thenationalnews.com/business/understanding-the-google-publishing-settlement-1.492378/ [https://perma.cc/5MCH-V7XF]; Jonathan Band, *The Long and Winding Road to the Google Books Settlement*, 9 J. MARSHALL REV. INTELL. PROP. L. 227, 322 (2010).

142. Sherwin Siy, *The New Google Book Settlement: First Impressions on Orphan Works*, PUB. KNOWLEDGE (Nov. 17, 2009, 4:16 PM), https://publicknowledge.org/the-new-google-book-settlement-first-impressions-on-orphan-works/ [https://perma.cc/XVZ5-CTEH].

143. Authors Guild, Inc v. Google Inc., 770 F. Supp. 2d 666 (S.D.N.Y. 2011)

settlement agreement is fair, reasonable, and appropriate.[144] If a court concludes that the factors are satisfied, it will approve the settlement without a hearing; alternatively, it may hold a hearing at which any objections may be presented, and the court will determine whether to approve or reject the settlement.[145]

The court concluded that although most of the factors favored approval, one factor—the reaction of the class to the proposed settlement—weighed against approval.[146] The court observed that the number of opponents of the agreement was considerable, that a significant number of class members had opted out of the class action, and that the concerns expressed were weighty.[147] The court went on to analyze the objections to the settlement.

After denying objections to the adequacy of the class notice,[148] the court considered the scope of relief and found it problematic. The transfer of certain rights to Google released Google and others from liability for certain future acts in exchange for sharing of future revenues. The court emphasized that because the plaintiffs waived certain property rights in their creations and not merely compensation, their silence should not be deemed consent. To expropriate copyright interests, the court held, the owner's consent must be obtained. In that way approving this agreement would exceed the scope of jurisdiction that the court may permit under Rule 23 of the Federal Rules of Civil Procedure, which relates to the approval of class action settlement agreements.[149]

Additionally, the court concluded that the named plaintiffs were not adequate representatives of the class due to the conflicting or different interests among members of such a heterogeneous group.[150]

The court further observed a possible conflict between the settlement and the Berne Convention and other trade agreements between countries. While the Berne Convention has been adopted in the U.S. and applied to

144. City of Detroit v. Grinnell Corp., 495 F.2d 448 (2d Circ. 1974)(listing the factors as: "(1) the complexity, expense, and likely duration of the litigation; (2) the reaction of the class to the settlement; (3) the stage of the proceedings and the amount of discovery completed; (4) the risks of establishing liability; (5) the risks of establishing damages; (6) the risks of maintaining a class action through trial; (7) the ability of defendants to withstand greater judgment; (8) the range of reasonableness of the settlement fund in light of the best possible recovery; and (9) the range of reasonableness of the settlement fund in light of the attendant risks of litigation.") (internal citations omitted).

145. *Id* at 462–63.

146. Authors Guild, Inc, 770 F. Supp. 2d at 675–76.

147. *Id.* at 676.

148. *Id.*

149. *Id.* at 676–77.

150. *Id.* at 679–80.

books since 1989, the settlement would apply to copyrights registered in Washington and books published in Canada, the United Kingdom, or Australia on or before January 5, 2009.[151] Also, these provisions would make it difficult for foreign authors to determine whether their works were covered by the ASA or not.[152] Therefore, it is Congress's role to regulate these rights, not the court's.

As a result, the court rejected the amended settlement, concluding that it was not fair, adequate, or reasonable.[153]

D. Summary Judgment

After the district court rejected the proposed settlement, the case proceeded to summary judgment. The court granted summary judgment in favor of Google. The court held that the fair use doctrine is best applied only by providing sufficient protection to authors to stimulate creative activity while also permitting others to utilize protected works to advance the progress of the arts and sciences. The court went on to consider whether GBS's use of copyrighted materials amounted to fair use, analyzing the four factors criteria, as detailed below.

1. The Purpose and Character of Use

The key question in evaluating this factor is whether the new work is "transformative" in relation to the copyrighted work. The court held that the goal of Google's service was educational. The idea behind the digitization of the books and GBS was to make the books much more accessible to the public. Moreover, the service transforms expressive text into a comprehensive word index that helps readers, scholars, researchers, and others, providing them with data they would not get otherwise; as for libraries, librarians and cite-checkers could use the service to locate books more easily.[154]

Therefore, the court concluded that Google's use was "highly transformative" and that such a finding strongly supported a fair use finding.

151. *Id.* at 684.
152. *Id.*
153. *Id.* at 686.
154. Authors Guild, Inc. v. Google Inc., 954 F. Supp. 2d 282, 291 (S.D.N.Y. 2013).

2. The Nature of the Copyrighted Works

The second factor focuses on the nature of the copyrighted work—is it factual or informational? Has it been published?

Restrictions on fictional works tend to be much tighter than those on informational, non-fictional works. The rationale behind this distinction is that facts, data, historical facts, and the like are in the public domain.[155] In contrast, fictional works were necessarily created using the author's imagination and creative skills and, as such, deserve greater protection under copyright law. As for whether the work has been published, copyright law seeks to give the author of an unpublished work the opportunity to publish it first. Consequently, the fair use doctrine is more permissive of using published works than unpublished ones.

Most of the books in GBS are nonfiction and thus are not entitled to strong copyright protection. Additionally, most of the books have been published and are already available to the public.[156] The court found that these considerations weighed in favor of a finding of fair use.

3. Amount and Substantiality of the Portion Used

The third factor focuses on the extent of the parts of the original work used by the alleged infringer. The larger the portion used from the original work, the harder it is to invoke the fair use doctrine. This factor is explored both quantitatively and qualitatively. Even in cases where only small portions of the protected work are used, where those portions constitute the heart of the original work, courts have tended to side with the copyright owner and conclude that the fair use defense was not applicable.

The *Google Books* court held that although Google scanned the full text of books and made verbatim copies, its use was highly transformative because the service shows only a snippet view of the books.[157]

4. The Effect of the Use Upon the Potential Market or Value of the Copyrighted Work

The fourth factor is the effect of the use of the work on the potential market for the copyrighted work. This factor ensures that the use of

155. *See* Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539 547 (1985); Bus. Trends Analysts, Inc. v. Freedonia Grp., 887 F.2d 399, 403 (2d Cir. 1989); Rosemont Enters. v. Random House, Inc., 366 F.2d 303, 309 (2d Cir. 1966); Quinto v. Legal Times of Washington, Inc., 506 F. Supp. 554, 559 (D.D.C. 1981).

156. *Authors Guild, Inc.*, 954 F. Supp. 2d at 292.

157. *Id.*

copyrighted materials cannot be considered fair use if it adversely affects the rightsholder's ability to profit from his work.

The *Google Books* court held that GBS does not diminish the market for the original work because the snippets cannot be connected coherently and do not replace the original work. Furthermore, a reasonable factfinder could find that GBS only enhances the sale of books to the benefit of copyright holders. An essential factor in the success of an individual title is whether it is discovered by potential readers. GBS allows authors' works to become more easily discoverable to readers, much like traditional in-store book displays.

After weighing these four factors together with other relevant considerations and in light of the purposes of copyright law, the court concluded that Google's use amounted to fair use. The court emphasized that GBS furthered the higher constitutional objective of promoting the Progress of Science and the Useful Arts and, as such, should benefit from the fair use defense.[158]

E. Court of Appeals Holding

The Court of Appeals affirmed.[159] The court held that the digital copy providing a search function is a transformative use that makes the books more widely available without providing a substitute for books protected under copyright law. In particular, the court noted that the licensing markets include very different functions than those that GBS provides. Consequently, Google's profit motivation does not justify the denial of fair use.

IV. RESPONSE TO THE FAIR USE HOLDING IN *GOOGLE BOOKS*

Scholars have praised the court for its "common-sense analysis in the case."[160] Matthew Sag called the decision "an important victory for

158. *Id.* at 293.

159. Authors Guild, Inc. v. Google Inc., 804 F.3d 202, 230 (2d Cir. 2015).

160. Anthony Prince, *Authors Guild vs. Google: Understanding the Four Factors of Fair Use*, 64 TENN. LIBR. 1 (2014); *see also* Angel Siegfiied Diaz, *Fair Use & Mass Digitization: The Future of Copy-Dependent Technologies after* Authors Guild v. HathiTrust, 28 BERKELEY TECH. L.J. 683, 702, 713 (2013) ("The HathiTrust decision solidifies a growing judicial commitment to protecting libraries and educational instructions in their efforts to make use of technology to increase preservation efforts, modernize their pedagogy, and facilitate better research. . . . The Google Books project represents a product that was designed cognizant of incoming lawsuits, and its design is one that sought to balance rights holder concerns by displaying no more than is necessary for user queries and installing security measures that prevent the product from substituting the demand for copyrighted content. This type of behavior must be encouraged, as the scope of transformative use must be balanced by the incentive provided to authors by providing them with exclusive rights regarding

Google and the entire United States technology sector."[161] Timothy B. Lee commented that the "Google Books ruling is a huge victory for online innovation."[162] Corynne McSherry of the Electronic Frontier Foundation stated that the ruling was a tremendous victory for fair use and the public interest.[163] In her view, readers, authors, librarians, and future fair users can celebrate. McSherry predicted that it would be futile for the Authors Guild to continue the litigation: "Its membership might want to consider whether they really want to spend more of their dues on this misguided litigation." James Grimmelmann suggested that "what seemed insanely ambitious and this huge effort that seemed very dangerous in 2004 now seems ordinary," suggesting that "[t]echnology and media have moved on so much that it's just not a big deal."[164]

Pamela Samuelson noted the positive social impact of the decision and called it a "substantial boon for authors, especially scholarly ones."[165] She argued that the use is transformative and not harmful to the market for the original works (to the contrary, it even boosts sales), but it even has a significant social impact. GBS enables new features that will provide new tools for researchers that did not exist before, offering researchers

reproduction."); Caitlin A. Buxton, Bridgemen Art Library, Ltd. v. Corel Corporation Revisited*:* Authors Guild v. Hathitrust *and the New Frontier of Fair Use*, 11 OKLA. J.L. & TECH. 77, 79, 88 (2015); Richard, *supra* note 7 (arguing that the Supreme Court should adopt a "broad view" of fair use as determined in *Google Books* and *HathiTrust*); Annemarie Bridy, *A Good Day at the Googleplex*, FREEDOM TO TINKER (Nov. 14, 2013), https://freedom-to-tinker.com/2013/11/14/a-good-day-at-the-googleplex/ [https://perma.cc/CE8B-5U7S].

161. Matthew Sag, *Google Books Held to be Fair Use*, MATTHEW SAG (Nov. 14, 2013), https://matthewsag.com/googlebooks-decision-fair-use/ [https://perma.cc/P7PC-UMM8].

162. Timothy B. Lee, *Google Books Ruling is a Huge Victory for Online Innovation*, WASH. POST: THE SWITCH (Nov. 14, 2013), https://www.washingtonpost.com/news/the-switch/wp/2013/11/14/google-books-ruling-is-a-huge-victory-for-online-innovation/ [https://perma.cc/87NZ-4ZJG].

163. Corynne McSherry, *Court Upholds Legality of Google Books: Tremendous Victory for Fair Use and the Public Interest*, ELEC. FRONTIER FOUND. (Nov. 14, 2013), https://www.eff.org/deeplinks/2013/11/court-upholds-legality-google-books-tremendous-victory-fair-use-and-public [https://perma.cc/Q8KP-YNW4]; Corynne McSherry, *Big Win for Fair Use in Google Books Lawsuit*, ELEC. FRONTIER FOUND. (Oct. 16, 2015), https://tinyurl.com/3kz7wwja https://www.eff.org/deeplinks/2015/10/big-win-fair-use-google-books-lawsuit [https://perma.cc/Z6WH-XJ58].

164. Claire Cain Miller & Julie Bosman, *Siding with Google, Judge Says Book Search Does Not Infringe Copyright*, N.Y. TIMES, (Nov. 14, 2013), https://www.nytimes.com/2013/11/15/business/media/judge-sides-with-google-on-book-scanning-suit.html [https://perma.cc/U3FE-DXKW].

165. Pamela Samuelson, *Google's Court Victory is Good for Scholarly Authors. Here's Why.*, CHRON. HIGHER EDUC. (Oct. 27, 2015), https://www.chronicle.com/article/googles-court-victory-is-good-for-scholarly-authors-heres-why [https://perma.cc/S4X3-KA85]; *see also* Peter Brantley, *Founder of Just-Launched Authors Alliance Talks to PW*, PUBLISHER WKLY. (May 13, 2014), https://www.publishersweekly.com/pw/by-topic/industry-news/publisher-news/article/62270-founder-of-just-launched-authors-alliance-talks-to-pw.html [https://perma.cc/697F-249T].

and non-profit institutions greater access and digitization that is so important to scholarly communities. Institutions involved in mass digitization do not always have the financial capacity to handle such a massive legal battle. In her view, any mass digitization venture would have been considered fair use, but the inability to cope with potential litigation jeopardizes these ventures. Fortunately, Google—an enormous corporation with tremendous resources—took on this litigation and prevailed. Doing so significantly reduced the risk of being sued and enabled the continuation of these ventures.[166]

Ariel Katz added that the purpose of fair dealing is to allow the unauthorized use of works to promote the public interest for the encouragement and distribution of works when doing so does not have a seriously adverse effect on the rightsholders' financial interests. The court's decision was proper, given its finding that GBS promotes important public interest goals.[167]

Nevertheless, some scholars have criticized the decision. Mangal argues that even though the Second Circuit got it right:

> In resolving the tension between the first and fourth factor in this case, the benefit to the public clearly outweighs countervailing concerns . . . . [O]ne is left with a lingering sense of injustice for the Authors Guild. The writers are forced to take on the economic burden of serving the public interest, even though they are not necessarily in the best place to do so. The burden for the public good is placed on "the little guy." This, in turn, limits their resources and ability to produce even more creative and scholarly works in the future, which undermines the ultimate goal of copyright law.[168]

In addition, Mangal submits that the court wrongly applied the first and fourth factors, arguing that the court broadly interpreted the transformation in the first factor because the inherent nature and value of the books are not being changed, but only their format. Even regarding

166. Pamela Samuelson, *Legally Speaking: Mass Digitization as Fair Use*, 57 COMMC. ACM 20, 22 (2014). In an earlier article, Samuelson opined that "[a]t first blush, Google's fair-use defense for scanning millions of in-copyright books might seem implausible. Google's purpose in scanning these books can be viewed as commercial, which tends to weigh against fair use. Whole works were being copied on a systematic basis, which also disfavors fair use…Moreover, digitizing books to serve snippets might impede a new licensing market for rights holders." Samuelson, *supra* note 143, at 487–88.

167. *See* Ariel Katz, *You're in Good Company, Judge Chin*, ARIEL KATZ ON INTELL. PROP. COMPETITION & OTHER ISSUES (Nov. 14. 2013), https://arielkatz.org/archives/2986 [https://perma.cc/FZ6W-7AJT];

168. Varsha Mangal, *Is Fair Use Actually Fair? Analyzing Fair Use and the Potential for Compulsory Licensing in* Authors Guild v. Google, 17 N.C. J.L. & TECH. 251, 272–73 (2016).

the fourth factor, Mangal contends, "there was 'strong competitive landscape and immense commercial value' for an online database of copyright-protected books," and that as a result of this decision, others who potentially would have licensed and paid for the right to use a copyrighted work can now do so without a license, "forever precluding authors from realizing a new revenue stream while further entrenching Google's monopoly."[169]

In the main, however, the court's fair use holding is widely perceived as the right decision. No scholar has articulated concerns about the possible effect of the decision on the market and whether the fair use defense is the right scheme to achieve these goals. The following section considers the effects of the decision on the market and questions whether this market facilitating role is within the proper scope of the fair use defense.

V. IMPACT ON THE MARKET

This part discusses the impact of *Google Books* on the markets for archiving copyrighted works. The court effectively opened the market for archiving copyrighted works through the fair use defense. Rather than approving a settlement agreement that would have closed the market to competition, the court opened the market not just for Google but also for any archiving project that functions similarly to the way Google archives books.

The following review suggests that *Google Books* fostered this market facilitating role of the fair use defense. Following the court's ruling on fair use, new projects emerged that followed in the footsteps of the GBS. For example, the HathiTrust Digital Library launched following the case. This project is a not-for-profit collaboration of academic and research libraries established in 2008 by the University of California System, the Big Ten Academic Alliance (BTAA),[170] and the University of Virginia.[171] The project's budget is mainly held within the University of Michigan budget system.[172]According to its website, the project

169. *Id.* at 271–72 (citing Brief for Appellants at 12, Authors Guild v. Google, Inc., 804 F.3d 202 (2d Cir. 2015) (No. 12-4829).

170. Formerly the Committee on Institutional Cooperation (CIC). It is the academic consortium of the universities in the Big Ten Conference. *See History of the Big Ten Alliance*, BIG ACAD. ALL., https://btaa.org/about/history [https://perma.cc/HR5K-T45W].

171. *Our Membership*, HATHITRUST, https://www.hathitrust.org/partnership [https://perma.cc/GV5C-XMFQ].

172. *Governance*, HATHITRUST, https://www.hathitrust.org/governance [https://perma.cc/NWJ9-DFCM].

contains more than 17 million digitized items.[173] Most of these items are sourced from Google's scanning. The rest were gathered from the Internet Archive's ongoing scanning work and local digitization efforts.[174] Scholars use this resource (through the HathiTrust Research Center) to conduct computational analysis by looking for patterns in large amounts of text.[175] Additionally, it could be used to read scanned books that might otherwise be difficult, if not impossible, to find in accessible formats.

In September 2011, the Authors Guild filed suit against HathiTrust in the Southern District of New York, alleging a massive copyright violation.[176] The plaintiffs sought declaratory and injunctive relief. On cross-motions for summary judgment, the district court held that the undisputed factual record established that HathiTrust's uses—full-text searching, access for persons with disabilities, and backup for replacement purposes—established fair use under 17 U.S.C. § 107.[177] The court characterized all three uses as transformative,[178] ruling that transformativeness was a requirement of fair use.[179] Therefore the court ruled in favor of HathiTrust.

The Second Circuit Court of Appeals agreed with the district court that the first two uses (full-text searching and access for disabled people) were protected as fair use.[180] At the same time, the court identified transformativeness as a quality to be assessed when weighing the first fair use factor,[181] which considers the purpose and character of the use.[182] The court agreed that "the creation of a full-text searchable database is a quintessentially transformative use."[183]

Regarding the second use, however, the Second Circuit disagreed with the district court's conclusion that "the use of digital copies to facilitate access for print-disabled persons is also transformative." The court noted that transformative use adds something new to the copyrighted

173. *Welcome to HathiTrust!*, HATHITRUST, https://www.hathitrust.org/about [https://perma.cc/5NR7-QLLA].

174. Jennifer Howard, *What Happened to Google's Effort to Scan Millions of University Library Books?*, EDSURGE (Aug. 10, 2017), https://www.edsurge.com/news/2017-08-10-what-happened-to-google-s-effort-to-scan-millions-of-university-library-books [https://perma.cc/H4D6-BJ42].

175. *Id.*

176. Authors Guild, Inc. v. HathiTrust, 902 F. Supp. 2d 445 (S.D.N.Y. 2012).

177. *Id.* at 459–64.

178. *Id.*

179. Aaron Schwabach, *The Internet Archive's National Emergency Library: Is There an Emergency Fair Use Superpower?*, 18 NW. J. TECH. & INTELL. PROP. 187, 202 (2021).

180. Authors Guild, Inc. v. HathiTrust, 755 F.3d 87 (2d Cir. 2014).

181. *Id.* at 96.

182. 17 U.S.C. § 107(1).

183. *Authors Guild, Inc.*, 755 F.3d at 97.

work and does not merely supersede the purposes of the original creation. HathiTrust, however, had simply expanded the accessibility of copyrighted works; the underlying purpose of HathiTrust's use was the same as the author's original purpose and was thus nontransformative.[184] Nevertheless, the court concluded that while not transformative, the aim of facilitating access to the copyrighted works for print-disabled audiences could be a valid purpose under the first factor of the fair use defense.[185]

The third use concerned the storage of digital copies of books to preserve them for future generations. Stored copies were also copied by libraries for the purpose of creating new ones if specific conditions set by HathiTrust were met. The court concluded that the factual record supported HathiTrust's fair use defense as a matter of law and affirmed the district court decision.[186]

Echoes of *Google Books* reverberated in another project, the Internet Archive's National Emergency Library. The Covid-19 Pandemic had a significant impact on copyright law. The most notable was the establishment of the National Emergency Library, which offered unlimited downloads of copyrighted works during the health crisis.[187] In its announcement, the Internet Archive, which was the organization behind this project, encouraged people to support the effort by sharing books they owned to allow temporary access to them by others during the crisis.[188]

This project caused resentment on the part of many authors and publishers. The threat to authors' incomes and intellectual property rights, and the unilateral nature of the announcement, provoked an immediate response.[189]

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184. *Id.* at 101.

185. *Id.* at 101–02.

186. *Id.* at 103–04.

187. *National Emergency Library*, INTERNET ARCHIVE BLOGS, https://blog.archive.org/national-emergency-library/ [https://perma.cc/E5UC-GNBY]; Chris Freeland, *Announcing a National Emergency Library to Provide Digitized Books to Students and the Public*, INTERNET ARCHIVE BLOGS (Mar. 24, 2020), http://blog.archive.org/2020/03/24/announcing-a-national-emergency-library-to-provide-digitized-books-to-students-and-the-public/ [https://perma.cc/7MV9-3SWJ].

188. Freeland, *supra* note 190 ("We recognize that authors and publishers are going to be impacted by this global pandemic as well. We encourage all readers who are in a position to buy books to do so, ideally while also supporting your local bookstore. If they don't have the book you need, then Amazon or Better World Books may have copies in print or digital formats. We hope that authors will support our effort to ensure temporary access to their work in this time of crisis.").

189. Alexander Chee is an author and a Dartmouth professor who criticized this project. *See* Alexander Chee (@alexanderchee), TWITTER (Mar. 27, 2020, 1:06 PM), , https://twitter.com/alexanderchee/status/1243585316105191425 שגיאה! ההפניה להיפר-קישור

Four publishers filed a lawsuit in the Southern District of New York seeking declaratory and injunctive relief and damages.[190] The statutory damages sought in the complaint could have conceivably run into the hundreds of millions of dollars, crushing the Internet Archive.[191] Alternatively, the publishers offered a gentler solution. The Internet Archive would share with the publishers the profits, gains, advantages, or the value of business opportunities it received from its alleged copyright infringement.[192] The case was abandoned after the National Emergency Library shut down in June 2020. Nevertheless, the project reflects an initiative that proceeds in a direction similar to the Google Books project.

Yet another initiative, the Internet Archive's Open Library project, empowers libraries to lend digital books to users using Controlled Digital Lending, which aimed to build a practice of controlled digital lending.[193] As of 2017, the program had 2.7 million scanned books, 319.5 million books downloaded, and 272 partner libraries.[194]

These examples reflect the tremendous impact that GBS has had on the archiving market for books, including copyrighted works. The fair use defense plays a major role in facilitating this market and in paving the way for its expansion.

The discussion that follows will consider whether the fair use defense should play such a market facilitating role and the extent to which it undermines the economic potential of the authors of copyrighted works.

.אינה חוקית("this is not freedom, this is piracy"); Alexander Chee (@alexanderchee), TWITTER (Mar. 27, 2020, 1:04 PM), https://twitter.com/alexanderchee/status/1243584733369503746 ("As a reminder, there is no author bailout, booksellers bailout, or publisher bailout. The Internet Archive's 'emergency' copyrights grab endangers many already in terrible danger.").

190. *See* Complaint at ¶¶ 51–52, Hachette Book Grp. v. Internet Archive (S.D.N.Y. June 1, 2020) (No 1:20-cv-04160); Timothy B. Lee, *Lawsuit over Online Book Lending Could Bankrupt Internet Archive*, ARS TECHNICA (June 1, 2020 8:02 PM), https://arstechnica.com/tech-policy/2020/06/publishers-sue-internet-archive-over-massive-digital-lending-program/ [https://perma.cc/4UYP-T9VH].

191. Complaint, *supra* note 193, at ¶ 52. 17 U.S.C. § 504(c)(1) provides for damages of "not less than $750 or more than $30,000 as the court considers just," while § 504(c)(2) provides that "where . . . infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $150,000." Each individual download of an infringing work may constitute a separate infringement. *See, e.g.*, Capitol Recs., Inc. v. Thomas-Rasset, 692 F.3d 899, 903 (8th Cir. 2012).

192. Complaint, *supra* note 193, at ¶ 52.

193. *Learn More*, OPEN LIBRS., http://openlibraries.online/learn/ [https://perma.cc/9K4H-KU4F].

194. *Open Libraries Home Page*, OPEN LIBRS., http://openlibraries.online/ [https://perma.cc/ZX5H-4LJ9].

VI. FAIR USE AS A MARKET FACILITATOR?

In this part, we consider whether the fair use finding in *Google Books* was appropriate in light of copyright theory and doctrine. We argue that more careful consideration of the market facilitation role of the fair use defense significantly undermines the purpose of the defense and should be reexamined.

Digital technologies opened a new world of potential market uses for authors. Copyright law should provide authors with incentives adapted to this new age of opportunities. Allowing market players to shield such major for-profit initiatives as GBS from copyright liability by invoking the fair use defense facilitates a market for these projects and others, lowering the costs of creating such products while depriving authors of the opportunity to participate in the market or to license their copyrights.

This new market facilitating role is disputable also in light of the centrality of the fourth fair use factor, which considers the effect of the use on the potential economic market of the author.

One of the strongest arguments that Google raised in support of its fair use argument in *Google Books* was that GBS was beneficial to authors because it opened up new markets for them without offering substitutes for their books. As discussed above, however, the court's holding in the case had a massive impact on the market that went beyond the case itself. GBS has already inspired the creation of similar projects and is likely to spawn more in the future. The fair use holding gave legitimacy to the creation of a new market for archiving books and other types of texts. This market also builds upon the use of copyrighted books that the public can access without the rightsholder's permission. Does this expansion of the fair use defense to support the creation of a new market reflect the understanding of the fair use defense?

The proposed settlements in *Google Books* would have had serious anticompetitive effects on the market for works protected by copyright because the settlement agreements provided Google with exclusivity. The courts rejected the settlements due to these major competitive concerns. Under the agreements, Google would have been the only market player in the field. However, rather than allow the parties to amend the agreement to respond to these competitive concerns and allow authors to profit from their work, the court went in a different direction and allowed Google to invoke the fair use defense, resulting in an opposite, pro-competitive scenario that opened the market to competition by all and significantly lowered market entry costs. We argue that traditional fair use principles do not justify this extreme result.

Traditionally, the fair use defense was supported by two major rationales. First, the economic rationale that when there exists a market failure because transactions costs for a particular use exceed the value of the use for the user, the fair use defense offers a remedy by allowing the use for free. This rationale was articulated in the seminal work by Wendy Gordon.[195] The second rationale for the fair use defense is rooted in freedom of speech principles and suggests that notwithstanding copyright law, there must be some space in which the public should be able to use works for free. This principle reasons that copyright law is not designed to prohibit all use of protected works for the duration of copyrights.

Applying these rationales in the context of the Google Books project, it is apparent that this was not an instance of a market failure. The parties initially reached a settlement agreement that introduced anticompetitive effects. However, they were able to reach an agreement under which authors would have received revenue from their work. Considering the second rationale, it is indisputable that the project facilitates free use of works. However, it is unclear why this use should be free. There is no doubt that the vision and scope of the Google Books project have increased access to works of authorship and allowed greater opportunities for authors to realize the economic potential of their works. Nevertheless, the project is commercial in nature, and it is not clear that this new product should be made available through a fair use defense rather than consensual agreement. New economic opportunities for authors are at the heart of the author's economic rights. Incentivizing the creation of new copyrighted works comes with the price of copyright protection. Google's interest in pushing the Google Book project to completion should not eclipse authors' interest in launching the very same market on their own or profiting from the market through license agreements. In applying the fair use doctrine, the court should have considered whether these interests could be balanced consensually through licensing. It is unclear why the court instead expanded the fair use defense to cover such major economic markets, especially since the project would undoubtedly have been launched even under a scheme in which Google paid each author joining its project.

Even when considering previous major fair use holdings, courts confronted with cases similar to *Google Books* have declined to authorize the uses as fair use. *American Geophysical Union v. Texaco Inc.* and *UMG Recordings, Inc. v. MP3.com, Inc*. are illustrative, suggesting that archiving works of authorship cannot be shielded by the fair use

195. Gordon, *supra* note 15, at 1614.

defense.[196] One can argue that these decisions can be distinguished because they involved the use of entire works, which was not the case in the Google Books project, but even a snippet view is arguably a use of the original work that includes no element of transformativeness. The decisions in *Kelly v. Arriba Soft Corp.* and *Perfect 10 v. Google*, however, arguably support the court's decision in *Google Books*, but we argue that these two cases raise similar concerns to those raised regarding *Google Books*.[197] The search engines in both cases used exact copies of the protected works in a reduced size format. Using these works as an input for the search engines without authorization arguably undermines the potential market of the author. Recognizing the importance of search engines, their use nevertheless should not be exempted from seeking consent for using entire protected works, undermining the author's potential market.

Some scholars have criticized the decision on various grounds similar to those we articulate in this article. Timothy Busse has argued that the case was wrongly decided by overemphasizing the transformativeness of the use, underemphasizing the commercial nature of the use, and not properly considering the harm to creators and the public interest.[198] He argues that applying fair use to mass digitization distorts the doctrine, which was fashioned to carve out specific exceptions to copyright's exclusive rights to foster creativity and innovation, not as a vehicle for fundamental shifts in the use of copyrighted works. Mass digitization of books is thus beyond the scope of the fair use defense.[199] Busse suggested that a statutory framework be established to guide commercial entities in facilitating mass digitization projects while simultaneously compensating authors and providing the most benefit to the public via widespread access to all digitized literature.[200]

In a similar vein, Valente has argued that the court's emphasis on the first transformativeness factor was mistaken and ultimately jeopardized the idea and objectives of copyright law and the fair use defense. Valente posits that:

196. Am. Geophysical Union v. Texaco Inc., 60 F.3d 913, 926 (2d Cir. 1994); UMG Recordings, Inc. v. MP3.com, Inc., 92 F. Supp. 2d 349 (S.D.N.Y. 2000)..

197. Kelly v. Arriba Soft Corp., 336 F.3d 811, 818–19 (9th Cir. 2003); Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1160–62 (9th Cir. 2007).

198. Timothy J. Busse, *Crossing the Digital Rubicon: Google Books and the Dawn of an Electronic Literature Revolution*, 18 HOUS. BUS. & TAX L.J. 119 (2018).

199. *Id.* at 142.

200. *Id.*

> if transformativeness continues to expand, copyright holders may lose control over their works and how they are used in digital contexts where a minimally different purpose is shown and where courts do not perceive a significant impact on the market. They may not even be entitled to receive a reasonable compensation for the uses,

resulting in decreasing "economic incentives to create new works and harm the overarching goal of copyright law."[201] Oberle has argued similarly:

> a major criticism of digital archives, and Google Books in particular, is that its use of copyrighted texts is not truly transformative… the Google Case judged transformativeness simply by asking if the expression of the original work is being used for a different, socially-beneficial purpose. This can create problems, as an emphasis on socially-beneficial purpose may shift the focus of the analysis from the infringer's actions to the actions of third parties. This focus … could make fair use protection easy to obtain.

He further emphasized that digital archives take away the right of copyright holders to be the sole distributor of their works.[202]

Rucki has also criticized *Google Books*, suggesting that the decision disrespects authors' needs, which in turn disrespects the needs of the public. Like Busse, Rucki calls on Congress to regulate mass digitization.[203] He emphasized that authors rely upon licensing revenues to survive. From a public policy standpoint, the system for mass digitization should allow authors to control the use of their works and obtain compensation as an incentive to write, emphasizing that mass digitizers tend to be large corporations or universities, whereas authors are generally individuals with far more modest means. Accordingly, Rucki observes that mass digitizers are better positioned to pay licensing fees. Additionally, mass digitizers choose to participate in this industry, whereas authors' works are digitized without their prior consent. Rucki argues that it is unfair to force the average author to yield potential revenue streams to corporations and universities.[204] Rucki suggests three solutions to mass digitization: direct licensing, voluntary licensing, and

201. Marie-Alexis Valente, *Transformativeness in the Age of Mass Digitization*, 90 ST. JOHN'S L. REV. 233, 262 (2016).

202. Bryan Oberle, *The Online Archive: Fair Use and Digital Reproductions of Copyrighted Works*, 25 S. CAL. INTERDISC. L.J. 753, 763–64 (2016).

203. Timothy A. Rucki, *Copyright Law—Unfair Use: Unionizing Content Creators through Legislation to Solve the Problem of Mass Digitation*, 40 W. NEW ENG. L. REV. 85 (2018).

204. *Id.* at 106.

extended collective licensing.[205] Vaidhyanathan has also argued against the court's holding, suggesting that a win for Google will cause the fair use doctrine to become "increasingly less fair and less useful in real life."[206]

Other scholars, however, have supported the decision, arguing that licensing in *Google Books* was impossible and that the decision advances authors' economic interests. For example, Kwok agrees with the decision and its application of the first and fourth fair use factors from an economic perspective, suggesting that both Google and the authors stand to gain from Google's use but that the high transaction costs involved in arranging a licensing agreement would have been prohibitive.[207] He also suggests that we should consider the public benefit and the need to incentivize expensive and risky innovation, arguing that Google's use facilitated educational and socially beneficial uses of copyrighted work and that these should be welcomed through the fair use defense.[208] Hari, too, has argued that the court's analysis of the fourth factor was correct. She emphasizes the decision's beneficial effect on the writers' market by enhancing the ability of authors and publishers to become noticed.[209] Fromer has also observed that when assessing the fourth factor in the fair use analysis, both market benefits and market harm must be considered. Fromer praised the *Google Books* decision for considering the project's potential benefits for authors and not just the potential market harm.[210] While these arguments are superficially appealing, they are nevertheless flawed in view of the significant market harm to authors, whose potential revenues from the use are eviscerated and whose exclusive rights are rendered meaningless when new markets for innovative products emerge.

Moreover, courts' perspectives are based on the specific facts of individual cases. As a result, courts are not well suited to determine how best to regulate complex and challenging emerging new markets. The creation of public goods has always involved tradeoffs and broad policy decision-making. Therefore, if there is a desire to regulate new markets for new products such as mass digitization, Congress is better suited to the task.

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205. *Id.* at 108–11.

206. Vaidhyanathan, *supra* note 139, at 1227.

207. Kelvin Hiu Fai Kwok, *Google Book Search, Transformative Use, and Commercial Intermediation: An Economic Perspective*, 17 YALE J.L. & TECH. 283 (2015).

208. *Id.* at 315–17.

209. Priya Hari, *Is Scanning Books Really Fair Use?: The Next Chapter in the Google Books Litigation*, 7 CHARLOTTE L. REV. 111, 132 (2015).

210. Fromer, *supra* note 7, at 629–41.

Finally, we suggest embracing Justice Blackmun's approach in *Sony*, where he expressed the view that the copyright owner needs to prove only a *potential* harm to the market or to the value of a work to shift the burden of proof to the defendant.[211] Congress has tacitly supported this approach, having avoided the temptation of allowing unfettered use of works without permission, even in the context of highly productive educational uses. Moreover, although Justice Blackmun's view dealt mainly with uses that benefit the public at large,[212] we believe that the fair use doctrine must carefully weigh the harm to the owner's market against the benefits to the public.[213]

Given its historical underpinnings and rationales, the fair use defense cannot play a market facilitating role. It was not designed to facilitate the creation of markets for new products, and the way it was used in *Google Books* undermines the copyright owner's entry into a new potential market. While the fair use doctrine allows productive and transformative uses, it cannot do so by allowing a wide range of permissible uses without remuneration to the author, especially when those uses pertain to all new technological markets. Such an extension of the doctrine risks eroding the basic economic rationale of copyright law by depriving authors of control over their works and, consequently, their incentive to create. We believe the court did not properly consider these implications in *Authors Guild v. Google*.

VII. CONCLUSION

In this article, we have turned the spotlight on the phenomenon of market facilitation through the doctrine of fair use. The purpose of the doctrine is to supplement the rationale underlying copyright protection by preventing market failures and balancing the power given to rightsholders, on the one hand, with the free speech values and the public interest in creating and distributing new works on the other. The fair use defense was created to permit uses such as commentary, excerpt copying for classroom use, and short quotations. Misuse of the doctrine could lead to unwanted consequences. The court's holding in *Google Books* has established a new market for archiving and using copyrighted works. We argue against this market facilitating role and propose following Justice Blackmun's approach in the *Sony* case, which shifts the burden of proving that the use

211. *Id.* at 480–81.

212. *Id.* at 482.

213. *See* Sony Corp. v. Universal City Studios, Inc. 464 U.S. 417 484–85 (1984); Iowa State Univ. Rsch Found., Inc. v. Am. Broad. Cos., 621 F.2d 57 (2d Cir. 1980).

was fair to the defendant after the copyright holder establishes that the defendant's use could *potentially* adversely affect the market for, or the value of, the original work. In particular, this proposition calls for the adoption of the traditional approach, which granted greater weight to the fourth fair use factor in examining the fairness of the use. We believe that the adoption of our proposal will prevent the misuse of the fair use doctrine and will be consistent with its underlying rationale by advancing the interests of authors and society at large.