

The Google Book Settlement As Copyright Reform

Pamela Samuelson*

Introduction

Google has proposed to settle a lawsuit charging it with copyright infringement for scanning of millions of in-copyright books through an agreement that would transform the firm's current snippet-providing Google Book Search (GBS) service into an online bookstore and subscription service.¹ Google negotiated this settlement with representatives of the Authors Guild, who purported to be acting on behalf of all authors holding U.S. copyright interests in one or more books that are or may become part of the GBS corpus, and with representatives of the Association of American Publishers (AAP), who purported to be acting on behalf of all publishers with similar interests.² A federal

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¹ See Settlement Agreement, Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136 (Oct. 28, 2008), available at <http://www.googlebooksettlement.com/intl/en/Settlement-Agreement.pdf> ["SA"]; Amended Settlement Agreement, Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136 (DC) (S.D.N.Y. Nov. 13, 2009), available at http://thepublicindex.org/docs/amended_settlement/amended_settlement.pdf ["ASA"]. Google has recently launched its Google eBookstore service through which more than 3 million books are available. See <http://books.google.com/ebooks>; <http://googleblog.blogspot.com/2010/12/discover-more-than-3-million-google.html>.

² The initial GBS Settlement Agreement defined the class in § 1.13 as "all persons that as of January 5, 2009, have a copyright interest in one or more Books or Inserts" (although Google and its executives, employees and board members are excluded). This class included all foreign owners of copyrights in books owing to international treaty obligations. See, e.g., SAM RICKETSON & JANE C. GINSBURG, *BERNE CONVENTION AND BEYOND: INTERNATIONAL COPYRIGHT AND NEIGHBORING RIGHTS AGREEMENTS FROM 1886 TO THE PRESENT* § 6.89 (2d Ed. 2006). Many foreign publishers and authors, as well as from the governments of France and Germany, objected to the inclusion of foreign books in the settlement. See, e.g., Objection of Harrassowitz, et al., Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136 (Aug. 31, 2009), available at <http://thepublicindex.org/docs/objections/harrassowitz.pdf>; Memorandum of Law in Opposition to the Settlement Agreement on Behalf of the Republic of France, Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136 (Aug. 31, 2009), available at http://thepublicindex.org/docs/letters/french_republic.pdf; Memorandum of Law in Opposition to the Amended Settlement Agreement on Behalf of the Republic of Germany, Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136 (Jan. 28, 2010), available at http://thepublicindex.org/docs/amended_settlement/Germany_objection.pdf. In response to these objections, the parties amended the settlement in a manner that narrows the scope of the class considerably. See ASA, §§ 1.13 (definition of "amended settlement class"), 1.19 (definition of "Book"). The Authors Guild and the AAP are identified in the ASA as associational plaintiffs in the *Authors Guild* litigation. See *id.*, § 1.15. Representatives of these two associations were active participants in the negotiations leading up to the settlement agreement announced on October 28, 2008. For the sake of simplicity, this article will

judge held a hearing in February 2010 about whether the settlement is “fair, reasonable, and adequate” to the class on whose behalf it was negotiated.³ A ruling on the settlement is expected in the near future.

An intriguing way to view the GBS settlement is as a mechanism through which to achieve copyright reform that Congress has not yet and may never be willing to do.⁴ The GBS settlement resembles legislation in many respects. It would, in effect, give Google a compulsory license to commercialize millions of out-of-print books, including those that are “orphans” (that is, books whose rights holders cannot readily be located),⁵ establish a revenue-sharing arrangement as to these books, authorize the creation of an institutional subscription database (ISD) that would be licensed to libraries and other entities, resolve disputes between authors and publishers over who owns copyrights in electronic versions of their books, provide a safe harbor for Google for any mistakes it might make in good faith as to which books are in the public domain or in-copyright, and immunize libraries from secondary liability for providing books to Google for GBS, among other things.⁶

focus on how the settlement will affect owners of copyrights in books; it will give relatively little attention to the interests of owners of copyrights in inserts (e.g., separately authored book chapters in edited volumes or forewords written by other than the author of the book), although these interests are quite important and the interests of these copyright owners are in some important respects different than the interests of book copyright owners. For example, owners of copyrights in inserts may not receive more than \$500 total for Google’s commercialization of their inserts. *See id.*, Att. C, § 1.2 (a), (b), (h). See *Objections of Arlo Guthrie et al. to the Proposed Settlement Agreement at 21-22, Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136 (DC) (S.D.N.Y. Sept. 2, 2009)*, available at <http://thepublicindex.org/docs/objections/guthrie.pdf> [“Guthrie Objection”].

³ Rule 23(e) of the Federal Rules of Civil Procedure requires that a court must hold a hearing to determine whether the proposed settlement is “fair, reasonable, and adequate” to the class on whose behalf it was negotiated and that other Rule 23 requirements have been met). The fairness hearing on the GBS settlement was held February 18, 2010. *See* Transcript of Fairness Hearing, *Authors Guild, Inc. v. Google, Inc.*, Case No. 05 CV 8136 (DC) (S.D.N.Y. Feb. 18, 2010), available at http://thepublicindex.org/docs/case_order/fairness-hearing-transcript.pdf. The GBS settlement has given rise to considerable commentary. *See, e.g.*, Jonathan Band, *The Long and Winding Road to the Google Books Settlement*, 27 JOHN MARSHALL REV. INTELL. PROP. L. 227, 229 (2009); James Grimmelmann, *The Google Book Search Settlement: Ends, Means, and the Future of Books*, Am. Const. Soc’y for L. & Pol’y, April 2009, available at http://works.bepress.com/cgi/viewcontent.cgi?article=1024&context=james_grimmelmann; Matthew Sag, *The Google Book Settlement and the Fair Use Counterfactual*, 55 N.Y.L.S. L. REV. 19 (2010); Pamela Samuelson, *Google Book Search and the Future of Books in Cyberspace*, 94 MINN. L. REV. 1308 (2010). For a discussion of its antitrust implications, *see, e.g.*, Einer Elhauge, *Why the Google Book Settlement is Pro-competitive*, 2(1) J. LEGAL ANALYSIS 1 (2010); Randal C. Picker, *The Google Book Search Settlement: A New Orphan Works Monopoly?*, 5 J. COMPET. L. & ECON. 383 (2009).

⁴ This intriguing idea was first planted in my mind by Dan Clancy, then the Engineering Director of the GBS Project, when he was trying to persuade me to support the proposed settlement. The gist of his argument was that the settlement was the only way to free up access to digital copies of millions of out-of-print books because Congress was dysfunctional in dealing with copyright issues. It was a clever opening gambit because although Clancy and I had not previously met, he had obviously been advised by those who knew me that this pitch would be appealing for two reasons: first, because I would likely share his skepticism about Congress as an instrument of public interest-oriented, forward-looking copyright policy, and second, because as an academic, I could be expected to want Google to be able to offer greater access to books through GBS, and thus on a purely utilitarian calculus, I would likely come down in favor of the settlement.

⁵ Orphan works are discussed infra notes xx and accompanying text.

⁶ These aspects of the GBS settlement will be discussed at length in Part II.

The grant of compulsory licenses, the establishment of default allocations of rights, and safe harbors from copyright liability are the kinds of measures that can generally be accomplished through legislation, but not through the adjudication of lawsuits.

Part I explains that Google may have undertaken the GBS project initially, in part as a way to accomplish a measure of copyright reform that Congress has not and may never achieve. Strangely enough, however, Google's interest in settling the *Authors Guild* lawsuit may also have been influenced in part by its judgment that the settlement the plaintiffs were offering would bring about more copyright reform that would benefit the firm than Google could reasonably expect from Congress.

Part II discusses numerous aspects of the proposed GBS settlement that would achieve some significant copyright reforms that Congress would find difficult to accomplish. Some of these reforms, such as the privilege that the settlement would provide to nonprofit libraries to allow scholars and students to make non-consumptive research uses of GBS books and free public access to out-of-print books that Google intends to provide to public libraries, would seem to be in the public interest.

Part III suggests that the legislative nature of the GBS settlement is not merely an interesting side effect of the agreement. Nor is it a persuasive rationale for approving the GBS settlement. Some Supreme Court precedents suggest that reforms as extensive as those embodied in the GBS settlement are inappropriate for resolution through a class action settlement.⁷ The Article argues that the legislative nature of the GBS settlement is instead a reason why courts should engage in heightened scrutiny when considering whether a settlement such as this is in compliance with due process norms embodied in Rule 23 of the Federal Rules of Civil Procedure, which sets forth the requirements for both maintaining and settling class action lawsuits.

I. Certain Features of U.S. Laws Contributed to the GBS Project and to the Settlement

This Part considers some aspects of U.S. law, particularly copyright law, that may have contributed to Google's willingness to undertake the GBS initiative in the first place despite the copyright risks it posed,⁸ as well as some features of U.S. copyright law that may have made settlement of the lawsuit attractive to Google, the Authors Guild and AAP.

A. State University Immunity from Copyright Damages Contributed to GBS

⁷ Particular attention is paid to *Amchem Products, Inc. v. Windsor*, 521 U.S. 591 (1997).

⁸ See Class Action Complaint, *Authors Guild, Inc. v. Google, Inc.*, Case No. 05 CV 8136 (S.D.N.Y. Sept. 20, 2005); Complaint, *McGraw Hill Co. v. Google, Inc.*, Case No. 05 CV 8881 (S.D.N.Y. Oct. 19, 2005). For the sake of simplicity the remainder of this article will refer only to the *Authors Guild* lawsuit, in part because the GBS settlement proposes to meld the publisher lawsuit into the *Authors Guild* case under which there is an Author Subclass and a Publisher Subclass.

Google's scanning of in-copyright books from the collections of major research libraries, such as the University of Michigan, might never have gotten off the ground but for certain rulings by the U.S. Supreme Court interpreting the Eleventh Amendment to the U.S. Constitution.⁹ The Court has construed this amendment as granting states and state-related entities sovereign immunity from lawsuits seeking money damages.¹⁰ Scholarly criticisms of the Court's Eleventh Amendment jurisprudence have thus far not shaken the Court's conviction that its interpretation of that amendment is sound.¹¹

In keeping with the Supreme Court's Eleventh Amendment rulings, some courts have held that state universities cannot be found liable in damages for infringement of copyrights.¹² These courts have also questioned whether Congress can override the state sovereign immunity norm even when evidence exists that state actors are engaged in or contributing to ongoing infringement.¹³

The Court's Eleventh Amendment jurisprudence may have emboldened officials at the University of Michigan and other state universities (e.g., the Universities of California, Texas and Wisconsin) to make deals with Google to scan millions of books from their vast collections,¹⁴ including in-copyright books. These libraries and Google hoped that the book-scanning would be deemed fair use if tested in the courts, but even if the fair use defense failed, the worst that could seemingly befall these libraries for giving Google books to scan was an injunction to stop supplying additional books to Google for

⁹ It provides: "The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State." U.S. Constitution, 11th Amendment. Key decisions include *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996) (striking down federal statute that required states to negotiate with Indian tribes over gaming) and *Alden v. Maine*, 527 U.S. 706 (1999) (Congress lacks power to abrogate state sovereign immunity for lawsuits seeking damages).

¹⁰ See, e.g., *Florida PrePaid Post-Secondary Educ. Expense Bd. v. College Savings Bank*, 527 U.S. 627 (1999) (state entity can raise 11th Amendment sovereign immunity as defense to patent infringement claims). This principle also applies to copyright infringement claims. See, e.g., *Salerno v. City Univ. of N.Y.*, 191 F. Supp.2d 352 (S.D.N.Y. 2001). However, state officials can be enjoined from violations of law, see *Ex Parte Young*, 209 U.S. 123 (1908), and state employees may be liable for damages for wrongful acts undertaken on behalf of their employers. See, e.g., Jesse H. Choper & John C. Yoo, *Who's Afraid of the Eleventh Amendment? The Limited Impact of the Court's Sovereign Immunity Rulings*, 106 COLUM. L. REV. 213, 225-26 (2006).

¹¹ See, e.g., Erwin Chemerinsky, *Against Sovereign Immunity*, 53 STAN. L. REV. 1201 (2001); Vicki C. Jackson, *Principle and Compromise in Constitutional Adjudication: The Eleventh Amendment and State Sovereign Immunity*, 75 NOTRE DAME L. REV. 953 (2000); Mitchell N. Berman et al., *State Accountability for Violations of Intellectual Property Rights: How to "Fix" Florida Prepaid (and How Not to)*, 79 TEXAS L. REV. 1037 (2001).

¹² See, e.g., *Chavez v. Arte Publico Press*, 204 F.3d 601, 603 (5th Cir. 2000) (holding the University of Houston immune from damage liability for copyright infringement).

¹³ *Id.* at 604-07.

¹⁴ Copies of several contracts between Google and its library partners can be found at <http://thepublicindex.org/documents/libraries/>. Even if some library partners believed in Google's fair use defense, university administrators and counsel may have been more willing to participate in this book-scanning effort because they knew that the 11th Amendment would shield their endowments.

scanning and uses of a library digital copy (LDC) of in-copyright books that Google supplied to its library partners.¹⁵

Michigan, for example, offered Google the opportunity to scan nearly eight million books from its collection.¹⁶ The University of California has committed to supplying Google with 2.5 million books.¹⁷ Other state universities have made similar, albeit sometimes more modest, deals.¹⁸ Private university partners have, however, been more circumspect. Harvard and Stanford, for example, have generally supplied only public domain books for GBS, in part because these institutions did not want to risk copyright liability that might diminish the large endowments on which they depend.¹⁹

Google has been making public domain copies of books in the GBS corpus freely available for downloading.²⁰ It serves up “snippets” (a small number of words to show the context in which a search words appeared in books) of the contents of in-copyright books in response to user queries. Google provides links to sites from which the books can be borrowed or purchased. Libraries benefit because the links facilitate better access to books in their collections; publishers and authors also benefit insofar as some users choose to buy copies of the books rather than to borrow them.²¹

If one favors the development of a digital corpus of books such as GBS, one might well applaud, rather than denounce, the Eleventh Amendment jurisprudence that gave Michigan and other state universities confidence that they could authorize Google to scan books in their collections without risking copyright damages for doing so.

Publishers are aware that the Eleventh Amendment is an impediment to lawsuits against state universities libraries.²² Without this immunity, state universities could be charged

¹⁵ “Library digital copy” is defined in the ASA as “the set (or portion thereof) of all Digital Copies of Books in a Fully Participating Library’s Collection, which Digital Copies are made by copying the Library Scan...and which Google provides to the Fully Participating Library.” ASA, § 1.81. The ASA also sets forth certain procedures by which a library can become a Fully Participating Library in *id.*, § 7.1, Att. B.

¹⁶ See Letter from Paul Courant to Judge Denny Chin at 1, *Authors Guild, Inc. v. Google, Inc.*, No. 05 CV 8136 (S.D.N.Y. Sept. 4, 2009), available at <http://thepublicindex.org/docs/letters/Courant.pdf> (“Courant Letter”).

¹⁷ See Cooperative Agreement Between Google, Inc. and the Regents of the Univ. of Calif., § 2.2, available at <http://thepublicindex.org/docs/libraries/california.pdf>.

¹⁸ Cooperative agreements between Google and the Universities of Texas, Virginia, and Wisconsin are available at <http://thepublicindex.org/docs/libraries>.

¹⁹ See, e.g., Jeffrey Toobin, *Google’s Moon Shot*, NEW YORKER, Feb. 5, 2007, available at http://www.newyorker.com/reporting/2007/02/05/070205fa_fact_toobin?currentPage=1.

²⁰ Google is not claiming copyright in its digitized version of these books, and indeed it could not do so because the digitized copies do not exhibit the modicum of creativity required to support a copyright. See, e.g., *Bridgeman Art Library v. Corel Corp.* 36 F. Supp. 2d 191 (S.D.N.Y. 1999). However, Google has watermarked the digitized books and instructs users to make only noncommercial uses of these books and to maintain Google’s watermarks.

²¹ By linking to bookstores, GBS was facilitating user purchases of books, suggesting that the snippet service would enhance the market for books, not harm it, and help Google’s fair use defense.

²² Conversation with John Sargent, President of MacMillan Books, Aug. 12, 2009.

with contributory infringement for supplying Google with millions of in-copyright books for GBS and for uses made of the LDCs that Google is supplying to its library partners.²³

B. Certain Fair Use Rulings Contributed to GBS

The United States is one of the very few countries having a broadly applicable fair use limit on the scope of copyright protection.²⁴ Even if a person has engaged in unauthorized acts that implicate an exclusive right granted to copyright owners, a use that is “fair” is not an infringement.²⁵ Four factors are typically considered in judging the fairness of a use: the purpose of the use, the nature of the copyrighted work, the amount and substantiality of the taking, and the harm the use may cause to the market for the protected work.²⁶ Criticism, comment, news reporting, teaching, scholarship, and research are among the favored purposes, although courts have not limited fair use to only these purposes.²⁷ Whether the use is for commercial or non-profit educational purposes is also relevant.²⁸

At first blush, Google’s fair use defense for scanning millions of in-copyright books might seem implausible.²⁹ Google’s purpose in scanning these books can be viewed as commercial, which tends to weigh against fair use.³⁰ Whole works were being copied on a systematic basis, which also disfavors fair use.³¹ Harm to the market is often presumed from an unauthorized use,³² but it was also plausible that some harm might result from Google’s use of the books (e.g., if hackers “liberated” the books by cracking technical

²³ ASA, § 7.2(a).

²⁴ See, e.g., Ruth Okediji, *Toward an International Fair Use Doctrine*, 39 Colum. J. Transn’l L. 75, 87 (2000). Under other nation’s copyright laws, Google’s scanning books would most likely be found to infringe copyrights. See, e.g., Lance Whitney, *Google Loses French Copyright Case*, CNET, Dec. 18, 2009, available at http://news.cnet.com/8301-1023_3-10418319-93.html (scanning books for GBS infringes French rights holders’ copyrights).

²⁵ 17 U.S.C. § 107.

²⁶ *Id.* Harm to potential markets is also relevant to whether a use is fair.

²⁷ *Id.*

²⁸ *Id.*

²⁹ See, e.g., Robin Jeweler, *The Google Book Search Project: Is Online Indexing Fair Use?*, Congressional Research Service, available at <http://www.au.af.mil/au/awc/awcgate/crs/rs22356.pdf> (reviewing pro and con arguments). See also SIVA VAIDHYANATHAN, *THE GOOGLIZATION OF EVERYTHING* (forthcoming 2010) (asserting that GBS scanning is not fair use).

³⁰ An important purpose for Google in scanning these books was to improve the precision of its search engine and draw more users to Google’s search engine. See *infra* notes xx and accompanying text. The Supreme Court has sometimes viewed commercial uses as disfavored. See *Harper & Row Pubrs., Inc. v. Nation Enterprises*, 471 U.S. 539, 562 (1985).

³¹ See, e.g., *American Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 917-24 (2d Cir. 1994) (systematic copying of articles by research scientists held unfair).

³² Until recently, it has been common for courts in copyright cases to presume harm from unauthorized commercial uses of protected works. See, e.g., *Triad Sys. Corp. v. Southeastern Express Co.*, 64 F.3d 1330, 1335 (9th Cir. 1995). However, this ruling is arguably inconsistent with the Supreme Court’s decision in *eBay, Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006) (holding that plaintiffs in patent cases bear the burden of proving all four elements of traditional principles of equity, including proof that harm will be irreparable if an injunction does not issue, relying on its prior rulings in copyright cases). The Second Circuit has concluded that harm should no longer be presumed in copyright cases. See *Salinger v. Colting*, 607 F.3d 68 (2d Cir. 2010).

protections on Google's servers, the books could then circulate freely on the Internet).³³ Moreover, digitizing books to serve snippets might impede a new licensing market for rights holders.³⁴

Yet, Google had reason to believe that digitizing in-copyright books for purposes of indexing their contents and providing snippets was fair use after an important appellate court ruling in *Kelly v. Arriba Soft Corp.*³⁵ Arriba Soft developed a search engine for images. It used web-crawling software to copy images from open sites on the Internet. It then made thumbnail-size copies to serve up in response to user queries (e.g., photos of the Grand Canyon).³⁶ It also provided links to sites where the full-size images could be found. Kelly, a commercial photographer, sued Arriba Soft after he discovered that it was publicly displaying thumbnails of various photographs of the American West that Kelly had posted on his website.³⁷ He claimed that making thumbnail-size images of his photos without a license was infringement.³⁸

The Ninth Circuit ruled that Arriba Soft had made fair use of Kelly's images. It characterized Arriba Soft's thumbnails as "transformative," in part because the thumbnails were smaller in size and of lower resolution than Kelly's full-sized images.³⁹ In addition, Arriba Soft's thumbnails "served an entirely different function than Kelly's original images"⁴⁰ because Arriba Soft had created the thumbnails "to improve access to information on the Internet," not to supplant demand for the aesthetic experience that Kelly's photos might evoke.⁴¹

Although the photographs were creative works, Kelly had published them on the open Internet. It was, moreover, "necessary for Arriba Soft to copy the entire image to allow users to recognize the image and decide whether to pursue more information about the image or the originating web site."⁴² Because Arriba Soft helped prospective purchasers find Kelly's photos,⁴³ the court found no harm to Kelly's market.⁴⁴

³³ See, e.g., Doug Lichtman, *Copyright as Information Policy: Google Book Search from a Law and Economics Perspective*, in *INNOVATION POLICY AND THE ECONOMY* (Josh Lerner & Scott Stern eds. 2008).

³⁴ *Texaco*, 60 F.3d at 926-31 (new licensing market would be thwarted if photocopying articles was held fair).

³⁵ 336 F.3d 811 (9th Cir. 2002).

³⁶ *Kelly*, 336 F.3d at 814-16.

³⁷ *Id.* at 815.

³⁸ Kelly apparently did not claim that copying done by the webcrawling software or in the database prior to making thumbnail-sized images were infringements, perhaps because these intermediate copies were likely be fair uses under *Sega Enter. Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992). Web-crawling and cache copying of copyrighted works were unsuccessfully challenged as infringements in *Field v. Google Inc.*, 412 F. Supp.2d 1106 (D. Nev. 2006), discussed infra notes xx and accompanying text.

³⁹ *Kelly*, 336 F.3d at 818-19.

⁴⁰ *Id.* at 819.

⁴¹ *Id.*

⁴² *Id.* at 821.

⁴³ The Ninth Circuit also considered that Arriba's thumbnail images also lost clarity if someone tried to enlarge them, which is why they could not supplant demand for good resolution images which is an especially important feature of photographic images. Moreover, Kelly did not license or sell thumbnails, so the Arriba thumbnails were not displacing this market. *Id.*

⁴⁴ *Id.* at 821-22.

Kelly augured well for Google's fair use defense in the *Authors Guild* case. Like Arriba Soft, Google scans in-copyright works for purposes of facilitating better access to them. Copying of entire works is necessary to create an index. Google was also displaying only a small number of words ("snippets") from the books in response to user queries, akin to the thumbnails in *Kelly*. There was thus very little risk of supplanting demand for the books. As in *Kelly*, Google was linking to sites from which the works could be purchased, and this was likely to enhance the market for them.

A second appellate court decision relevant to Google's fair use defense is *Perfect10, Inc. v. Amazon.com*.⁴⁵ As in *Kelly*, the main issue was whether a search engine was liable for copyright infringement for displaying thumbnails of images in response to user queries. One key difference between *Kelly* and *Perfect10* was that the thumbnails in the latter case were of photographs posted on the Internet without the copyright owner's permission.⁴⁶ However, because Google had no way of knowing which images were infringing—at least not until Perfect10 sent a proper notice-and-takedown request—the court regarded Google's fair use defense as sound as Arriba Soft's.⁴⁷ The *Perfect10* decision gave Google reason to believe that the *Kelly* would not be limited to situations in which the copyright owner him- or herself had posted the content online.

Also bolstering Google's fair use defense was *Field v. Google, Inc.*⁴⁸ Field charged Google with copyright infringement because Google's webcrawler software made copies of his writings, stored the copies in caches, and showed snippets of his writings in response to user queries.⁴⁹ Google claimed these acts were fair use.⁵⁰

The court viewed positively the purposes served by Google's web-crawling and caching activities, such as enabling searches for content when the original page was inaccessible, detecting changes in website content over time, and assessing why the site was responsive to the search query term.⁵¹ As in *Kelly*, the court concluded that Google's copying was transformative because of the different functions that the copies served on

⁴⁵ 416 F. Supp.2d 828 (C.D. Cal. 2006), aff'd in part, rev'd in part, 508 F.3d 1146 (9th Cir. 2007).

⁴⁶ See, e.g., Timothy Lee, *Google v. Perfect10: Appeals Court Affirms that Thumbnails are Fair Use*, ARS TECHNICA, May 17, 2007, available at <http://arstechnica.com/news.ars/post/20070517-google-v-perfect-10-appeals-court-affirms-that-thumbnails-are-fair-use.html>.

⁴⁷ Perfect10 also argued that Google was interfering with a licensing market for thumbnails of its images and that Google's use of the images was commercially harmful because of revenues it made from the AdSense program. The Ninth Circuit regarded the harm evidence to be too speculative to change the fair use calculus. *Perfect10*, 508 F.3d at 1165-68.

⁴⁸ 412 F. Supp.2d 1106 (D. Nev. 2006). See also *Parker v. Google, Inc.*, 442 F. Supp.2d 492 (E.D. Pa. 2006), aff'd, 2007 WL 1989660 (3d Cir. 2007)(affirming dismissal of direct and indirect infringement claims for web-crawler copying of writings freely available on the Internet).

⁴⁹ Field sought \$2.55 million in statutory damages (\$50,000 per infringed work). *Field*, 412 F. Supp.2d at 1110.

⁵⁰ Google also argued there was no direct infringement by virtue of automated copying by its webcrawling and caching software, as well as raising an implied license and an estoppel defense. *Id.* at 1109. The court granted Google's summary judgment motion on all grounds. *Id.*

⁵¹ *Id.* at 1118-19.

Field's website, on the one hand, and in Google's cache, on the other.⁵² Google's good faith in operating its system cache was evident from its willingness to take down any cached content after receiving notice of its owner's objection.⁵³ The court also noted the exceptionally high transactions costs that Google would have to incur if it had to seek and obtain permission for every copy its web-crawlers made of Internet content.⁵⁴ There was, moreover, a simple technological fix available to Field if he didn't want his content to be web-crawled.⁵⁵

Field aids Google's GBS fair use defense in several respects.⁵⁶ For one thing, the court in *Field* regarded Google's provision of snippets from copyrighted texts as non-infringing. Second, the court accepted that it was necessary for search engines to make copies of texts in order to index contents and make snippets available. Third, the court also considered Google's willingness to remove content from its servers if copyright owners objected to its storage of this content as also cutting in favor of fair use. Fourth and perhaps most importantly, the court accepted that Google would have to incur unreasonably excessive transactions costs to clear rights to make copies of protected works for purposes of providing snippets to users of its search engine. The fact that Field might want to license Google's use of his works was not considered a cognizable harm to the market. Indeed, as in *Kelly*, the court thought that by facilitating greater access to works on the Internet, Google was helping rather than interfering with market opportunities for the copyright owner.⁵⁷

While none of these decisions was rendered in the Second Circuit, where the *Authors Guild* case is pending, the decisions are consistent, well-reasoned, and written in reasonably broad language.⁵⁸ Some Second Circuit cases have, moreover, cited the *Kelly* and *Perfect10* decisions approvingly.⁵⁹ Without these precedents, Google might well

⁵² *Id.*

⁵³ *Id.* at 1122-23.

⁵⁴ *Id.* at 1113. Field had created all fifty-one allegedly infringed writings in a three-day period before posting them on his website. *Id.* at 1114. A factor that ultimately weighed heavily against Field's copyright claims was the court's perception that he had "manufacture[d]" his claims of infringement "in the hopes of making money from Google's standard practice." *Id.* at 1113-14.

⁵⁵ Field knew that he could use a robots.txt file to signal that he did not want data on his site to be webcrawled and that he could ask Google not to supply cached links to his writings. *Id.* at 1113-14. Indeed, he created a robots.txt file that signaled that bots were allowed to copy his data. *Id.* at 1114.

⁵⁶ The *Amazon* and *Field* cases and their implications for GBS are analyzed in Matthew Sag, *Copyright and Copy-Reliant Technologies*, 103 Nw. U. L. Rev. 1607 (2009).

⁵⁷ See, e.g., Frank Pasquale, *Copyright in an Era of Information Overload*, 60 VAND. L. REV. 135 (2007); Pamela Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537, 2610-15 (2009) (discussing the information access cases). A modest number of sentences the *Unbundling* article have been converted for this article.

⁵⁸ The law review commentary on Google's fair use defense in the *Authors Guild* case is generally supportive. See, e.g., Matthew Sag, *The Google Book Settlement and the Fair Use Counterfactual*, 55 N.Y.L.S. L. Rev. 19, 23 (2010); Band, *supra* note xx, at 237-60; Hannibal Travis, *Google Book Search and Fair Use: iTunes for Authors or Napster for Books?*, 61 U. MIAMI L. REV. 87, 91-94 (2006) (arguing that scanning books to index them is fair use).

⁵⁹ See, e.g., *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605 (2d Cir. 2006); *U.S. v. Am. Soc'y Composers, Authors & Pubrs.*, 599 F. Supp. 2d 415 (S.D.N.Y. 2009).

have been more reluctant to scan in-copyright books from university libraries. The search engine fair use cases thus seem to be contributing factors to the GBS project.

The authors and publishers who sued Google contest the fairness of scanning books to provide snippets.⁶⁰ If the GBS settlement is disapproved and the *Authors Guild* litigation resumes,⁶¹ they will either attack the soundness of the search engine fair use rulings or distinguish them from GBS. A key difference between the *Kelly* and *Field* cases, on the one hand, and the *Authors Guild* case, on the other, is that Kelly and Field had voluntarily posted their works online, whereas the authors of books scanned from collections of Google's library partners had not consented to digitization. The *Perfect10* case, like the *Authors Guild* case, involved links to unauthorized copies of copyrighted works. However, Google was unaware of the infringing status of Perfect10's photos when it made webcrawler copies of the photos and created the thumbnails and links. In the *Authors Guild* case, by contrast, Google was the maker of the unauthorized copies.

Some Second Circuit case law, moreover, casts doubt on Google's fair use claim. In *American Geophysical Union v. Texaco*, for instance, the Second Circuit held that photocopying individual research articles from technical journals for research purposes was an unfair use.⁶² The court regarded the Texaco researcher's use to be commercial and consumptive in nature; it was being done on a systematic basis; and it was likely to harm to an emerging licensing market.⁶³ Google's fair use defense also seemed questionable given the narrowness of the existing statutory library privileges.⁶⁴

If Google recognized that its fair use defense was not a sure winner, this may have contributed to its receptivity when representatives of the Authors Guild and AAP approached it to suggest a settlement of the litigation that would allow Google not only to continue to scan in-copyright books, but also to commercialize them.⁶⁵

C. The Narrowness of Library Privileges as Contributing Factor to GBS

⁶⁰ See, e.g., Patricia Schroeder, *Google Cannot Rewrite U.S. Copyright Laws*, WALL ST. J., Oct. 25, 2005. Schroeder was at the time CEO of AAP. The Guild's hostility to GBS is evident from the lawsuit it filed against Google.

⁶¹ The *Authors Guild* case is in very early stages of litigation. Very little discovery has been conducted. No depositions have been taken, and the class has not been certified. Without class certification—which Google can be expected to contest vigorously—the Authors Guild may not be able to persuade its lawyers to continue the litigation, for they would face years of intensive litigation without the deep pockets that Google has. The trade publishers may also be disinclined from pursuing their lawsuit against Google, as their books are in the GPP and they too lack Google's deep pockets and stomach for lengthy litigation.

⁶² 60 F.3d 913 (2d Cir. 1994). The *Texaco* case is discussed at greater length infra notes xx and accompanying text. See also *UMG Recordings, Inc. v. MP3.com*, 2000 WL 1262568 (S.D.N.Y. Sept. 6, 2000) (ruling against a fair use defense for a digital music service's creation of a database of sound recordings to facilitate access for to them by MP3.com subscribers who owned copies of specific recordings)

⁶³ *Texaco*, 60 F.3d at 917-31.

⁶⁴ 17 U.S.C. § 108. This privilege is discussed infra notes xx and accompanying text.

⁶⁵ See Andrew Richard Albanese & Jim Milliot, *Richard Sarnoff: Publishers Weekly's Person of the Year*, *Publishers Weekly*, Dec. 7, 2009, available at <http://www.publishersweekly.com/articles/CA6710194.html>.

Section 108 of U.S. copyright law shields libraries from copyright liability for making and distributing copies of copyrighted works for specific purposes, such as preservation and replacement of damaged materials.⁶⁶ Although § 108 was updated modestly in 1998 as part of the Digital Millennium Copyright Act (DMCA),⁶⁷ there is general consensus that this provision needs to be updated in a more fundamental way now that digital information resources have become more pervasive components of library services and digital access to knowledge is becoming an increasingly important way for libraries to serve their communities.⁶⁸

At present, § 108 does not authorize libraries to digitize all in-copyright books in their collections, even for preservation purposes, let alone make digital copies available to their patrons without permission from the copyright owners. Although a recent report on § 108 reform has urged Congress to expand the library exception in some respects,⁶⁹ it does not recommend allowing mass digitization of books in library collections or allowing broad public access to copies made for preservation purposes.⁷⁰

University librarians are very interested in having digital repositories of their books, as physical book collections take up valuable real estate on college campuses and are expensive to build and maintain. Because students are becoming increasingly used to having online access to information resources, physical libraries are visited less frequently now, and there is a real risk that the learning embodied in research library collections will become virtually invisible unless it can be made available online.⁷¹

There is reason to doubt that Congress would be willing to amend § 108 to permit mass digitization projects by libraries, or broad public access to digital copies of in-copyright works through digital lending initiatives, for the Authors Guild and AAP publishers

⁶⁶ 17 U.S.C. § 108. For a detailed overview of this provision and the values it embodies, *see, e.g.*, Laura N. Gasaway, *Values Conflict in the Digital Environment: Librarians Versus Copyright Holders*, 24 COLUM. J. L. & ARTS 115 (2000).

⁶⁷ Section 404 of the DMCA allowed libraries and archives to make up to three copies of copyrighted materials, including digital copies, for traditionally privileged purposes instead of the one facsimile copy permitted by the 1976 Act.

⁶⁸ *See, e.g.*, SECTION 108 STUDY GROUP REPORT iii-x (March 2008) (recommending numerous changes to library and archival privileges), *available at* <http://www.section108.gov/docs/Sec108StudyGroupReport.pdf>. *See also* Pamela Samuelson et al., *The Copyright Principles Project: Directions for Reform*, 25 Berkeley Technology L.J. (forthcoming 2010) (recommending some updates to library and archival privilege).

⁶⁹ The Section 108 Study Group recommends, for example, that libraries should be able to outsource some of their privileged uses to contractors and to make some preservation copies of texts. Section 108 Study, *supra* note xx, at iv-vii.

⁷⁰ Copyright is not, of course, the only impediment to university library digitization projects. Two others are the cost of digitization, estimated at roughly \$30 per book, and the cost of attempting to clear rights to digitize in-copyright books, which one source has estimated at roughly \$1000 per book. Band, *supra* note xx, at 229.

⁷¹ *See, e.g.*, Letter from Michael Heller to Judge Chin at 3, *Authors Guild, Inc. v. Google, Inc.*, No. 1:05 CV 8136 (DC) (S.D.N.Y. Aug. 8, 2009), *available at* <http://thepublicindex.org/docs/letters/Stanford%20Libraries.pdf> ["Heller Letter"]. Many universities are making textual materials available through electronic reserves, although this practice is controversial with publishers. *See, e.g.*, Gasaway, *supra* note xx, at 149-50.

would almost certainly oppose this. In the modern era, it is difficult to enact copyright legislation without support of key copyright industry constituencies.⁷²

Google was able to attract major research libraries to become partners in GBS because it was willing to scan books from their collections, give libraries LDC copies of the books, and defend these acts as fair uses. Even if research librarians firmly believed that scanning books to index them and provide snippets was fair use, they may have been reluctant to undertake a similar project because their institutions lacked the financial resources to undertake mass digitization projects and defend copyright lawsuits.

Google's library partners were pleased with their initial deal with Google under which they would get LDCs with which to make fair and other privileged uses of in-copyright books. They and their patrons would benefit from snippet access to book contents along with links to places from which physical books could be obtained.

But of course, the holy grail for libraries was providing online access to all books in their collections. A fair use victory in the *Authors Guild* lawsuit would not have given Google the right to display more than snippets. So when Google approached its library partners about a proposed settlement of the *Authors Guild* lawsuit that would give the libraries online access to millions of books, it was hard not to be giddy about it, especially because at least some terminals would be available to higher educational institutions for free.⁷³ Full access for all patrons to all books in the ISD would be possible through subscriptions.⁷⁴

The proposed settlement thus looked like a win-win-win: The libraries would get access to millions of books; Google would be able to recoup its investment in GBS; and authors and publishers would get a new revenue stream from books that had been yielding zero returns. And legislation would be unnecessary to bring about this result.

D. Inaction on Orphan Work Legislation Contributed to GBS

Google was in the early stages of its GBS project when the U.S. Copyright Office launched a study to consider whether Congress should enact legislation to facilitate greater access to "orphan works," a term that typically refers to in-copyright works whose rights holders cannot be located through a reasonably diligent search.⁷⁵ Google, the Authors Guild, AAP, and major library associations urged the Office to support orphan works legislation.⁷⁶ The Office eventually published a report recommending legislation

⁷² See, e.g., JESSICA D. LITMAN, DIGITAL COPYRIGHT 22-32 (2001).

⁷³ ASA § 4.8

⁷⁴ *Id.* at § 4.1. The settlement also authorizes libraries to make certain uses of their LDCs beyond the privileges that § 108 provides. *Id.* at § 7.2.

⁷⁵ See U.S. COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS 1 (2006), available at <http://www.copyright.gov/orphan/orphan-report.pdf> ("Orphan Work Report").

⁷⁶ Letter from Paul Aiken, Exec. Dir., Authors Guild, to Jule L. Sigall, Assoc. Reg. for Pol'y & Int'l Aff., U.S. Copyright Office (May 5, 2005), available at <http://www.copyright.gov/orphan/comments/reply/OWR0135-AuthorsGuild.pdf>; Letter from Allen Adler, Vice Pres. for Legal & Gov't Aff., to Jule L. Sigall, Assoc. Reg. for Pol'y & Int'l Aff. (March 25, 2005),

to make orphan works more widely available.⁷⁷ Congress has, however, yet to pass such a bill.⁷⁸

A significant contributing cause of the orphan works problem has been numerous copyright term extensions enacted by Congress in the past few decades.⁷⁹ Although the commercial life of most books is relatively short (i.e., they generally remain “in print” for fewer than five years),⁸⁰ copyright terms have become both significantly longer and more indefinite in duration.

For example, when a research library in 1960 bought new books for its collection, it would have known that the books would likely be free of copyright constraints after 1988.⁸¹ While copyrights could be renewed,⁸² there was little reason to do so if the book had been out-of-print for some years. Books would thus generally be in the public domain in less than three decades.

The Copyright Act of 1976 radically changed the approach to copyright duration and slowed considerably the flow of books into the public domain. For books published after 1977, copyrights would no longer expire in the early 2000s, as they would have previously, because the 1976 Act granted authors and their heirs a copyright term that extended fifty years beyond the authors’ deaths.⁸³ This roughly tripled the effective life of most copyright terms.⁸⁴

The life + 50 years model also made the copyright duration considerably more uncertain. It is, for example, impossible to know when the copyright in a book published after 1977 will expire if the author is still alive when it is published, as his or her death date can obviously not be accurately predicted on the book’s title page.

Congress enacted a further term extension in 1998 tacked on an additional twenty years to existing copyrights,⁸⁵ although libraries and archives persuaded Congress to mitigate

available at <http://www.copyright.gov/orphan/comments/OW0605-AAPP-SIIA.pdf>; Letter from David Drummond, Vice President, Google, Inc. to Jule L. Sigall, Assoc. Reg. for Pol’y & Int’l Aff., (March 25, 2005), available at <http://www.copyright.gov/orphan/comments/OW0681-Google.pdf>; Library Copyright Alliance Letter to Senators Patrick J. Leahy and Orrin Hatch, June 17, 2008, available at <http://www.arl.org/bm~doc/lca-senate-orphan-works-s-2913-17june2008final.pdf>.

⁷⁷ Orphan Work Report, *supra* note xx, at 93-127.

⁷⁸ See, e.g., Shawn Bently Orphan Works Act of 2008, S. 2913, 110th Cong., 2d Sess. (2008); Public Domain Enhancement Act, H.R. 2408, 109th Cong., 1st Sess. (2005). There is, however, presently no orphan works bill pending in either the House or the Senate.

⁷⁹ Orphan Work Report, *supra* note xx, at 3.

⁸⁰ TBA

⁸¹ 17 U.S.C. § 23 (superseded) (providing for an initial copyright term of 28 years and an opportunity to renew copyrights for an additional 28 years).

⁸² The Copyright Office would have records of any renewal of copyright, as registration of the renewal was required for it to be effective. *Id.*

⁸³ 17 U.S.C. § 302(a) (as enacted in 1976).

⁸⁴ Congress also extended the terms of in-copyright works published before 1978 to seventy-five years from first publication. 17 U.S.C. § 304 (as enacted in 1976).

⁸⁵ Sonny Bono Copyright Term Extension Act of 1998, now codified in 17 U.S.C. § 302(a).

this to some degree through an exception allowing these institutions to copy works for preservation purposes and make them available to scholars and researchers.⁸⁶

The orphan work legislation Congress has considered thus far would require diligent searches for copyright owners on a book-by-book basis.⁸⁷ This would seemingly preclude mass digitization projects, such as GBS, because the costs of undertaking diligent searches on a book-by-book basis are very high, perhaps prohibitively so.⁸⁸

Google may have decided to mass digitize books from its library partners' collections in part to make orphan books more accessible. GBS snippets are, after all, providing somewhat greater access to and use of these works. Google has also been making non-display uses of the contents of orphan books (e.g., to refine its automated translation tools).⁸⁹ Google may have anticipated that Congress would eventually pass an orphan works bill that would then allow the firm to expand access to the contents of books it came to believe were orphans. Or in the absence of legislation, Google could have argued that displaying the contents of orphan books was fair use because there can be no harm to the market if the rights holders cannot be found. The GBS initiative was thus aimed in part to overcome Congressional inaction on orphan works.

Google's keenest interest in settling the *Authors Guild* case lay in the opportunity a settlement would provide to solve the orphan book problem in a cost-effective way, at least for Google.⁹⁰ The default rule of the settlement is that Google can commercialize all out-of-print books in the settlement as long as it shares the revenues with a Book Rights Registry (BRR) whose task is to find rights holders whose books are earning money from Google's exploitation of them.⁹¹

E. Uncertainty As To Ownership of E-Book Rights

An additional copyright impediment to mass digitization projects, such as GBS, is a lack of clarity as to who owns the rights to authorize the digitization of in-copyright books. There are at least four reasons for this uncertainty.⁹²

⁸⁶ 17 U.S.C. sec. § 108(h). However, this exception is only available in the last twenty years of copyright terms and then only if copies of the books are no longer commercially available.

⁸⁷ Shawn Bently Orphan Works Act of 2008, S. 2913, 110th Cong., 2d Sess. (2008).

⁸⁸ Band, *supra* note xx, at 229 (estimating search costs for clearing rights to digitize books at \$1000 per book).

⁸⁹ I have elsewhere argued that at least some non-display uses of in-copyright books are fair uses. Samuelson, *supra* note xx, at 1363, n. 280. See also Sag, *supra* note xx, at 1609.

⁹⁰ See, e.g., Transcript, *supra* note xx, at 145 (Google's lawyer, Daralyn Durie informed Judge Chin that "without this opt-out regime for works that are not commercially available, there would be no settlement. This is an essential feature of the settlement.")

⁹¹ ASA, §§ 3.2(b), 3.3.

⁹² There is, moreover, a fifth difficulty which arises because copyrights are, under the 1976 Act, divisible into a seemingly infinite number of slices. See 17 U.S.C. § 201(d). The right to publish a hardcover edition of a book may be owned by one person; the right to print it on demand may belong to a second person; the right to edit the book's contents for an educational reader may belong to third person; and so on. A would-be digitizer may be unsure which owner to approach.

One arises from ambiguities in book publishing contracts. The only case to have interpreted common grant language is *Random House, Inc. v. Rosetta Books LLC*.⁹³ Random House sued Rosetta for infringement after it started selling e-books of works by Kurt Vonnegut and William Styron. These authors' contracts with Random House gave the publisher the exclusive right "to publish [the work] in book form."⁹⁴ The trial court construed this phrase as a limited grant and refused to issue a preliminary injunction to stop Rosetta from selling the e-books.⁹⁵

The Second Circuit recognized that "there is some appeal to the argument that an 'e-book'—a digital book that can be read on a computer screen or electronic device...—is simply a form of a book."⁹⁶ However, it observed that "the law of New York, which determines the scope of Random House's contracts, has arguably adopted a restrictive view of the kinds of 'new uses' to which an exclusive license may apply when the contracting parties do not expressly provide for coverage of such future forms."⁹⁷ The appellate court affirmed the lower court's ruling, but noted that further fact-finding would be necessary to determine whether the trial court's preliminary assessment of the merits of Rosetta's defense was consistent with the reasonable expectations of the parties at the time of contracting.⁹⁸ In the meantime, Rosetta Books was free to publish the e-books in question.

The "new and unforeseen uses" problem often arises in copyright, especially when technological advances make possible new media for dissemination of protected works. The "new use" case law is somewhat mixed.⁹⁹ Some cases are sympathetic to claims that authors should be able to enjoy new revenue streams when advances in technology have made it possible to sell copies of their works in new formats,¹⁰⁰ while other cases are more receptive to the interests of commercial exploiters on the theory that these entities should enjoy whatever benefits flow from the exploitations that technology advances

⁹³ 283 F.3d 490 (2d Cir. 2002).

⁹⁴ *Id.* at 491.

⁹⁵ *Id.* For critical commentary on the *Rosetta* decision, see, e.g., Caryn J. Adams, *Random House v. Rosetta Books*, 17 BERKELEY TECH. L.J. 29, 46 (2002) (arguing that the district court's decision in *Random House* is inconsistent with precedent in New York and the Second Circuit).

⁹⁶ *Random House*, 283 F.3d at 491 (citing cases). It is worth noting that the Authors Guild filed an amicus curiae brief in support of Rosetta, and AAP filed an amicus brief in support of Random House before the Second Circuit.

⁹⁷ *Id.* at 491-92. The interpretation of contracts is, of course, a matter of state law. States may differ in how broadly or narrowly their courts will construe author-publisher contracts. Contract language too varies from one publishing contract to another. See *infra* notes xx and accompanying text concerning the implications of this for approval of the GBS settlement.

⁹⁸ "Without the benefit of the full record to be developed over the course of the litigation, we cannot say that the district court abused its discretion in the preliminary way it resolved these mixed questions of law and fact." *Id.* at 491.

⁹⁹ See, e.g., *Boosey & Hawkes Music Pubrs, Ltd. v. Walt Disney Co.*, 145 F.3d 481 (2d Cir. 1998); *Bourne v. Walt Disney Co.*, 68 F.3d 621 (2d Cir. 1995); *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150 (2d Cir. 1968).

¹⁰⁰ See, e.g., *New York Times v. Tasini*, 533 U.S. 483 (2001) (upholding claims of free-lance authors for unauthorized licensing of their works in electronic databases).

enable.¹⁰¹ The *Rosetta Books* case seems to fall on the pro-author side as to e-books, but the decision is hotly contested by publishers.¹⁰² Because that decision merely denied Random House’s motion for a preliminary injunction, *Rosetta Books* is far from a definitive precedent for resolving the author-publisher e-book dispute.

A second problem affecting the rights of authors and publishers to authorize e-books is that many publishing contracts, although by no means all, contain clauses that allow copyrights to revert to authors after the book goes out of print. Author reversion clauses are not always self-executing; that is, the copyright does not automatically revert to the author once the book is no longer being printed and actively sold in new copies. Rather, authors must send letters to their publishers announcing their intent to accomplish a reversion and asking publishers to confirm the reversion.¹⁰³ Some publishers do not respond quickly to reversion requests, leaving copyright ownership in abeyance.¹⁰⁴ Extra complications arise nowadays because some publishers claim that books should still be considered “in print” as long as the publishers are making them available through a print-on-demand service.¹⁰⁵

A third problem affecting author-publisher rights to authorize e-books arises from poor document management practices.¹⁰⁶ Some publishers, as well as some authors, do not maintain good files on all of the contracts that authorize the publication of books. Lost or misplaced contracts are especially likely for older books. Mergers and acquisitions of publishing firms, as well as the failure of some firms, in the past several decades may have contributed to difficulties in locating publishing contracts from which to discern whether the author or publisher of a particular book has the right to authorize the making and selling of e-books.¹⁰⁷

A fourth problem arises from the termination of transfer rules embodied in the 1976 Act. This Act gives authors (or certain specified heirs, if the author is deceased) the right to terminate any transfer of copyright—including the assignment of all rights in their works as well as non-exclusive or exclusive licenses—after thirty-five years as long as a notice of intent to terminate the transfer has been given between two and ten years before the effective date of termination, and certain other formalities are complied with.¹⁰⁸ This termination right is not waivable by contract.¹⁰⁹ Thus, an author who assigned copyright in a book manuscript to her publisher in 1978 can in 2010 inform the publisher that in 2013, she intends to terminate the assignment and reclaim her copyright in the book.

¹⁰¹ See, e.g., MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 10.10 [B] (discussing cases).

¹⁰² See, e.g., Motoko Rich, *Legal Battles Over E-Book Rights to Older Books*, N.Y. TIMES, Dec. 13, 2009, available at <http://www.nytimes.com/2009/12/13/business/media/13ebooks.html>.

¹⁰³ Telephone conversation with Michael Boni, lead lawyer for the Author Subclass in the *Authors Guild* case, Aug. 12, 2009.

¹⁰⁴ *Id.*

¹⁰⁵ *Id.* (reporting that Simon & Schuster is making such an argument vis a vis the GBS settlement).

¹⁰⁶ *Id.*

¹⁰⁷ *Id.*

¹⁰⁸ 17 U.S.C. §§ 203, 304 (c).

¹⁰⁹ *Id.*

Unless the author and publisher strike a new deal or the publisher can find some defect in compliance with termination formalities, ownership of the copyright will be in abeyance for the period between the notice and the termination.¹¹⁰

It is, of course, not just authors and publishers who find it difficult to know for sure who owns the right to authorize e-books, but also any third party that might want, for example, to digitize in-copyright books for a corpus such as GBS.

Any one of these four problems would be daunting, but considered together, they contribute significantly to the likelihood of high transaction costs for obtaining rights clearances to build digital library collections. These uncertainties also exacerbate the orphan works problem, for to be certain about who owns e-book rights, one might well have to track down both the author and the publisher and get permission from both, and if the author is no longer living, one would have to track down her heirs as well.

While a legislative solution to some of these problems might be possible (e.g., proposing a revenue sharing arrangement for books published prior to a certain year after which e-book rights would have been in contemplation and should have been bargained for), it may be unlikely to occur for various reasons, including because rights allocations are generally matters of contract interpretation.

In the meantime, publishers can be expected to claim that they own e-book rights, and authors can be expected to dispute this. Some of these claims may end up in litigation, but this is an expensive and time-consuming way to resolve disputes, and few authors will have the resources to pursue this strategy.¹¹¹

Google set out to avoid the transaction costs of rights clearances by scanning the books and claiming its use was fair, relying in no small part on the argument that transaction costs for doing rights clearances in advance on a book-by-book basis are so high that a market failure arguably exists.¹¹² Market failure has sometimes been invoked in support of fair use defenses.¹¹³ The unclarity about e-book rights might also have helped Google's fair use defense, as it would be unreasonable for the firm to have to clear rights

¹¹⁰ The termination right is, moreover, quite formalistic and likely to give rise to litigation and uncertainty. *See, e.g.,* *Milne ex rel. Coyne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005), cert. denied, 548 U.S. 904 (2006) (rejecting effort to terminate a 1930 grant because of a renegotiated agreement in 1983); *Penguin Group v. Steinbeck*, 537 F.3d 193 (2d Cir. 2008) (rejecting effort to terminate grant by descendants' of John Steinbeck because of renegotiated agreement by his third wife).

¹¹¹ Some author representatives have been willing to incur the wrath of publishers by making deals with e-book sellers, such as the deal Andrew Wylie recently struck with Amazon.com on behalf of numerous prominent authors. *See, e.g.,* Alison Flood & Ed Pilkington, *Publishers Rage Against Wylie's eBook Deal with Amazon*, *GUARDIAN*, July 23, 2010, available at <http://www.guardian.co.uk/books/2010/jul/23/publishers-wylies-ebook-deal-amazon>. However, Random House challenged Wylie's deal with Amazon and seems to have persuaded Wylie to back down. *See, e.g.,* Jeffrey A. Trachtenberg, *Amazon Loses E-Book Deal*, *WALL ST. J.*, Aug. 25, 2010.

¹¹² *See, e.g.,* Band, *supra* note xx, at 229.

¹¹³ *See, e.g.,* *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 539, 592 (1992) (market for licensing critical commentary or parody of copyrighted works is unlikely).

to scan for snippets with both authors and publishers just to be sure that the proper authorizations had been obtained.

A powerful motivator for the GBS settlement, especially for the Authors Guild and the AAP, was their mutual interest in finding a way to resolve key author-publisher e-book rights disputes.¹¹⁴ The Guild and AAP negotiators wanted to achieve a fair revenue-sharing arrangement for books whose contracts were ambiguous or missing.¹¹⁵ The Authors Guild negotiators also pressed hard for a procedure to ensure that copyrights would revert to authors after notice to publishers of the authors' intent to invoke reversion rights.¹¹⁶

Google appears indifferent about how the author-publisher e-book disputes are resolved. As long as Google can keep a substantial share of any revenues generated from its commercialization of GBS books, it seems willing to pay a substantial share to the appropriate rights holder. It just doesn't want to make that determination itself. In effect, the settlement proposes to free Google of any worry about who really owns the rights to authorize digitization. As long as Google throws 63 percent of the revenues over the wall to the BRR, it has met responsibilities.¹¹⁷ It is for BRR to make sure that the appropriate rights holder is located and paid appropriate shares of these revenues.¹¹⁸

F. Deficiencies in Copyright Office Records

The U.S. Copyright Office has historically maintained records of registration of copyright claims for books published in the U.S., as well as records of renewals of copyrights, transfers of copyrights, restorations of copyrights, and termination of transfer notices.¹¹⁹ One might expect this body of information to be of considerable assistance to anyone undertaking a search for the rights holders of particular books, as these documents are matters of public record.

There are several reasons why registration and other rights holder data residing in the Copyright Office are not as helpful as one might expect. For one thing, registration is permissive under current law, and although there are some statutory inducements for prompt registration (e.g., eligibility for statutory damage and attorney fee awards),¹²⁰

¹¹⁴ The lack of clarity about who owns e-book rights might, oddly enough, have worked in Google's favor in the *Authors Guild* case, as it could assert that it could not be sure who, as between authors and publishers, held the rights to authorize snippets and the costs of negotiating with both authors and publishers would have been prohibitive.

¹¹⁵ Paul Aiken, Executive Director of the Authors Guild, explained to members of Congress that the GBS settlement had taken 30 months to negotiate in large part because the publishers and authors were negotiating these issues. See, e.g., *Competition and Commerce in Digital Books: Hearing Before the H. Comm. on the Judiciary*, 110th Cong. 143 (2009) ["Hearing"] Attachment A of the ASA offers a resolution of these contentious issues. See *infra* notes xx and accompanying text.

¹¹⁶ Boni Conversation, *supra* note xx.

¹¹⁷ ASA § 4.5.

¹¹⁸ *Id.*, § 6.1.

¹¹⁹ 17 U.S.C. §§ 104A, 203, 205, 304(c), 408-410.

¹²⁰ *Id.*, § 412.

relatively few copyright owners register at all, let alone promptly.¹²¹ Second, these records may be outdated, as there is no duty to notify the Copyright Office of changes in ownership (e.g., when the copyright is transferred from one person to another) or contact information. Third, the Office has been a slow and not entirely successful adopter of digital database technologies. The Office has not, for example, digitized registration data from the paper documents filed prior to its adoption of an online registration system. Manual searches of paper documents are necessary to locate this information in the Office's records. As with the author-publisher disputes over ownership of e-book rights, these limitations of the Copyright Office records contribute to the orphan works problem.

These limitations also make it difficult to determine which books published between 1923 and 1963 are in the public domain for failure to file a renewal document with the Copyright Office. An estimated sixty percent of books published in that thirty year period are, in fact, public domain books; the problem is that no one knows which ones are still in-copyright and which ones are not.¹²² It would be very costly for nonprofit digitizers to go to the Copyright Office to make manual searches for renewal information.¹²³ This information should be available online, but it is not.

When Google began GBS, it ignored the limitations of Copyright Office records because it believed that its fair use defense would make checking Copyright Office records unnecessary. Under the settlement, however, Google is seemingly committed to establish an online database of all books in copyright and in the public domain.¹²⁴ The accuracy, completeness, and accessibility of these data remains a contentious issue in relation to the GBS settlement.¹²⁵ Unlike the Copyright Office records, the GBS books database is a private information resource.

G. Google's Risk Assessment as a Contributor to GBS and the Settlement

When Google commenced the GBS project, the firm was not only confident of its fair use defense, but also of its ability to moot any lawsuit filed against it for copyright infringement by individual authors or publishers because Google was prepared to remove objecting rights holders' works from the GBS corpus.¹²⁶

Google's liability risk as to any particular book was, moreover, relatively small. After all, how much financial harm could a copyright owner have suffered from Google's

¹²¹ See, e.g., Christopher Sprigman, *Reform(aliz)ing Copyright*, 57 STAN. L. REV. 485 (2004).

¹²² Conversation with John Wilkin, Executive Director of HathiTrust, Ann Arbor MI, Feb. 24, 2010.

¹²³ See, e.g., Letter from Arnaud Nourry, CEO of Hachette Livre SA, to Judge Chin, at 10-12, Authors Guild Inc. v. Google Inc., No. 1:05-CV-8136 (S.D.N.Y. Jan. 27, 2010), available at http://thepublicindex.org/docs/amended_settlement/hachette.pdf.

¹²⁴ ASA, § 3.1(b).

¹²⁵ See, e.g., Declaration of Pierfrancesco Attanasio at 3-4, Authors Guild Inc. v. Google Inc., No. 1:05-CV-8136 (S.D.N.Y. Jan. 28, 2010), available at http://thepublicindex.org/docs/amended_settlement/Attanasio.pdf; Letter from Diana Kimpton to Judge Chin, Jan. 27, 2010, at 4-6, Authors Guild Inc. v. Google Inc., No. 1:05-CV-8136 (S.D.N.Y.), available at http://thepublicindex.org/docs/amended_settlement/kimpton.pdf.

¹²⁶ Conversation with Alex MacGillivray, Feb. 16, 2006.

storage of the book on its servers for some months before it was removed from GBS or from snippet displays? Even if Google lost its fair use defense, the actual damages to a copyright owner from scanning-to-index would be close to \$0, and since Google was not serving ads next to the snippets from in-copyright books, no profits attributable to infringement could be awarded.¹²⁷

There was, of course, a risk of a statutory damage award for book scanning, but the risk range per book was only \$750 to \$150,000.¹²⁸ Given the plausibility of Google's fair use defense, any statutory damage award was likely to be at the lower end of the range.¹²⁹ Given the high costs of litigation, few individual rights holders were likely to sue Google.

Google's liability risks were even lower as to owners of rights in chapters from edited volumes or other components of books (such as forewords, afterwords, photographs, or illustrations) because these authors were unlikely to have registered their claims of copyright with the U.S. Copyright Office within three months of publication. They would thus be ineligible for awards of attorney fees or statutory damages. These copyright owners were even less likely than book rights holders to bring an infringement suit against Google for GBS-related acts.

The liability risk was, of course, higher if a major trade publisher, such as McGraw Hill or Macmillan, sued Google for copyright infringement in their books.¹³⁰ Yet, Google may have viewed this risk as relatively modest because *Rosetta Books* suggested that trade publishers probably did not own the right to control new uses such as digitization and e-books. Actual damages for scanning books to make indexes and display snippets would, as noted above, still be near \$0, and there was little likelihood of profits attributable to infringement, even if Google's fair use defense failed. The statutory damage risk was, of course, higher if a trade publisher sued, but for a firm with Google's resources, the risk may still have seemed acceptable. Google was, moreover, willing to remove books from the corpus if the rights holder objected. The firm has also formed partnerships with major trade publishers, including the publishers who sued it in the fall of 2005,¹³¹ and serious litigation against one's partners is unusual.

Foreign rights holders might not like the GBS project, but because Google was only scanning books in the U.S. and copyright laws are territorially bounded, Google may

¹²⁷ 17 U.S.C. § 504(b). U.S. copyright law allows recovery of both actual damages and any profits the defendant made that are attributable to infringement.

¹²⁸ 17 U.S.C. § 504(c). This remedy is an alternative to an award of actual damages and defendant profits. 17 U.S.C. § 504(a). By continuing to scan books after the Authors Guild charged it with infringement, Google increased somewhat the risk that it would be deemed a willful infringer.

¹²⁹ Elsewhere I have argued that statutory damage awards should be toward the minimum end of the scale for defendants with plausible fair use defenses. See Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 Wm. & Mary L. Rev. 439, 500 (2009).

¹³⁰ McGraw-Hill and Macmillan may have decided to sue Google for infringement in no small part because of the risk that the Authors Guild might try to use its class action lawsuit against Google to get a ruling that would extend *Rosetta Books* to hold that authors, not publishers, owned the rights to authorize digitization of books and the right to make and sell e-books.

¹³¹ Toobin, *supra* note xx, at 30.

have regarded the risk of foreign copyright liability for book-scanning to be minimal.¹³² It may have believed that the display of snippets to non-U.S. users of its search engine would be protected by short quotation privileges in foreign copyright laws.¹³³

The biggest risk for Google was that someone would file a class action lawsuit to challenge GBS,¹³⁴ as indeed the Authors Guild did. Google was confident in its fair use defense; yet it may have thought that it could defeat a class action certification motion, given the diversity of interests and legal positions of authors and publishers on the scanning-to-index-and-provide-snippets issue.¹³⁵ A substantial percentage of books in the university research libraries whose books Google was scanning are books written by scholars for scholarly audiences.¹³⁶ Academic authors of such books are far more likely than members of the Authors Guild to think that scanning-to-provide-snippets is fair use and more likely to want to make their out-of-print books available on an open access basis.¹³⁷ A professional writer such as Herbert Mitgang, the Guild's 89 year old lead plaintiff, might find it difficult to persuade a court that his claim that scanning books for snippet-display purposes was copyright infringement was typical of the legal perspectives of the majority of authors of books in the university libraries. Class certification might also have been difficult because of the uncertainty about who owned the rights to authorize the digitization of books.¹³⁸ Google might also have challenged a class certification motion insofar as class counsel sought to include orphan book rights holders in the class, as it is impossible to know what interests such persons would have.¹³⁹

¹³² However, one French court has ruled that Google's scanning of French rights holders' books in the U.S. infringes French copyrights. *See supra* note xx.

¹³³ Google persuaded a German court that GBS snippet-display did not infringe German copyrights; the same court rejected the claim that the scanning of books in the U.S. infringed German copyrights. *See e.g.*, David Drummond, Germany and the Google Books Library Project, *Google Blog*, June 28, 2006, available at <http://googleblog.blogspot.com/2006/06/germany-and-google-books-library.html>.

¹³⁴ Rule 23(a) of the Federal Rules of Civil Procedure sets forth a set of requirements for maintaining a lawsuit as a class action: (1) the class is so numerous that joinder of all members is impracticable; (2) there are questions of law or fact common to the class; (3) the claims or defenses of the representative parties are typical of the claims or defenses of the class; and (4) the representative parties will fairly and adequately protect the interests of the class. Part III will assess at some length whether these criteria could be met in the *Authors Guild* case.

¹³⁵ Google had some experience with fending off class action lawsuits by challenging the certifiability of the class because of diverse interests and legal perspectives. *See Vulcan Golf LLC v. Google, Inc.*, 2008 U.S. Dist. LEXIS 102819 (N.D. Ill. 2008) (denying certification of a class of trademark owners because the legal claims of the named plaintiffs were not typical of members of the proposed class, some of whom would have thought the challenged action was fair use).

¹³⁶ One study has analyzed the collections of several of Google's research library partners. *See, e.g.*, Brian Lavoie et al., *Anatomy of Aggregate Collections*, D-LIB MAG., Sept. 2005, available at <http://www.dlib.org/dlib/september05/lavoie/09lavoie.html>.

¹³⁷ *See, e.g.*, Letter of Pamela Samuelson to Judge Denny Chin on behalf of academic authors at 2-3, *Authors Guild, Inc. v. Google, Inc.*, No. 05 CV 8136 (S.D.N.Y. Sept. 3, 2009), available at <http://thepublicindex.org/docs/letters/samuelson.pdf> (arguing that academic authors are more likely than Authors Guild members to support scanning-for-snippets as fair use).

¹³⁸ *See supra* notes xx and accompanying text.

¹³⁹ The Internet Archive opposed the GBS settlement in part because orphan work owners should be excluded from the settlement class because their interests are unknowable. *See Memorandum of Amicus Curiae the Internet Archive in Opposition to Settlement Agreement, Authors Guild, Inc. v. Google, Inc.*,

Yet, once the Authors Guild actually initiated a class action lawsuit against Google, and once the judge assigned to the case let it be known that he was not inclined to dismiss the case merely because Google was willing to remove any book from the GBS corpus whose rights holder objected,¹⁴⁰ Google had some reason to fear that it was betting the firm on its fair use defense.

If the goal for GBS was, as one of Google's library partners has maintained, to build a corpus of 50 million books,¹⁴¹ the overwhelming majority of which are in-copyright, its potential statutory damage exposure, if a judge certified a class of rights holders, could run into the billions.¹⁴² While Google would almost certainly have challenged the consistency of any such award with the Supreme Court's due process jurisprudence limiting punitive damage awards,¹⁴³ challenges of this sort have thus far met with mixed results.¹⁴⁴ The *Authors Guild* complaint did request an award of statutory damages.¹⁴⁵

Google also had some reason to worry that if the class was certified and its fair use defense failed, it could be enjoined from using that part of the GBS corpus consisting of in-copyright books for which the firm had not obtained rights holder permissions.¹⁴⁶ It was also conceivable that Google could be ordered to destroy that part of the corpus that contained infringing books, which would render GBS a very unwise investment.¹⁴⁷

Did Google contemplate early on that the complaints filed by the Authors Guild and the trade publishers were an opening gambit for a negotiation that would eventually end in a settlement? No Google official has admitted this, but it is hardly a secret that class action lawsuits settle far more often than they get fully litigated.¹⁴⁸

Google would almost certainly have vigorously fought certification of the litigation class identified in the Authors Guild complaint, had a certification motion been made.¹⁴⁹

No. 05 CV 8136 (S.D.N.Y. Sept. 8, 2009), available at http://thepublicindex.org/docs/letters/internet_archive.pdf.

¹⁴⁰ Conversation with Alex MacGillivray, Feb. 16, 2006.

¹⁴¹ Courant Letter, *supra* note xx, at 1.

¹⁴² One commentator estimated Google's potential exposure in the *Authors Guild* case at \$3.6 trillion. Band, *supra* note xx, at 229.

¹⁴³ See, e.g., Samuelson & Wheatland, *supra* note xx, at 464-74 (arguing that grossly excessive statutory damage awards in copyright cases are unconstitutional).

¹⁴⁴ Id. at 474-91 (discussing the mixed caselaw).

¹⁴⁵ Authors Guild Complaint, *supra* note xx, at 13.

¹⁴⁶ 17 U.S.C. § 502.

¹⁴⁷ 17 U.S.C. § 503(b).

¹⁴⁸ More than 90% of class action lawsuits end in settlements. See, e.g., Thomas Olson, *Knowledge Makes It Easier to Get the Most From Class Action Lawsuits*, PITTSBURGH TRIBUNE-REVIEW, Aug. 29, 2010, available at http://www.pittsburghlive.com/x/pittsburghtrib/business/s_696919.html. One source reports that "[l]ess than 1 percent of filed class actions [in the U.S.] proceed to trial, in part due to extensive pretrial fact discovery and in part to avoid the risk of a large win or loss." International Justice, *Class Action/Group Litigation Laws Worldwide*, May 2008, available at <http://www.internationaljustice.ws/northamerica.html>.

¹⁴⁹ The Authors Guild complaint was initially brought on behalf of a class of persons or entities owning copyrights in literary works contained in the University of Michigan library. Authors Guild Complaint,

However, once settlement negotiations began—as they soon did—Google became interested in having the broadest possible settlement class, so that it could bind as many copyright owners as possible to the new regime that the settlement would establish.¹⁵⁰ The class defined in the October 2008 proposed settlement agreement was indeed breathtakingly vast, as it included every owner of a U.S. copyright interest in one or more books in the world, including foreign rights holders whose books were not commercially available in the U.S. but whose books nonetheless enjoyed U.S. copyright protection under international treaties.¹⁵¹

H. Other Factors Contributing to GBS and the Settlement

Google undertook its GBS initiative not only—and perhaps not mainly—because it wanted to supply users of its search engine with snippets of texts from the many millions of books it was scanning; it also wanted to make what the settlement calls “non-display” uses of the books’ contents,¹⁵² which include experiments aimed at improving its search technologies. As one Google engineer observed, “the very worst [search] algorithm at 10 million words is better than the very best algorithm at 1 million words.”¹⁵³ The best way to improve search technologies, the engineer pointed out, is to get more data. Books from the collections of major research libraries are dense with data, and the more books Google can scan from these collections, the better its search techniques are likely to become.¹⁵⁴ Although the *Authors Guild* lawsuit did not assert that non-display uses of books in the GBS corpus was copyright infringement, Google would have almost certainly have argued that non-display uses are fair uses if the Guild amended the complaint to add them. A settlement of the Guild’s lawsuit was attractive to Google if the Guild and AAP would agree, as indeed they did, to allow Google to make uncompensated non-display uses of GBS books.

supra note xx, parag. 20. Class certification is supposed to occur at an early stage of class action litigation. See Federal Rules of Civil Procedure, Rule 23 (c)(1)(A). The Authors Guild complaint was amended in July 2006, more than 10 months after the initial complaint, to broaden the class to persons or entities owning copyrights in works in the University of Michigan library. See *Authors Guild v. Google, Inc.*, First Amended Complaint, available at http://thepublicindex.org/docs/complaint/authors_amended.pdf. At this point, settlement negotiations were well underway.

¹⁵⁰ See, e.g., John C. Coffee, Jr., *The Corruption of the Class Action: The New Technology of Collusion*, 80 CORNELL L. REV. 851, 851-52 (1995) (class actions have become shields for defendants); Samuel Issacharoff, *Governance and Legitimacy in the Law of Class Actions*, 1999 SUP. CT. REV. 337, 345 (“While the class action device...may have appeared as a ‘sword’ to break through the litigation thicket, it soon became apparent that a class action could serve defendants as a most welcome shield against future litigation”).

¹⁵¹ See *supra* note xx for the SA’s definition of the class and an explanation of why it included virtually all foreign rights holders in books.

¹⁵² Non-display uses are defined as “uses that do not display Expression from Digital Copies of Books or Inserts to the public.” ASA, § 1.94.

¹⁵³ See, e.g. Objection of Yahoo! Inc. to Settlement Agreement at 25, *Authors Guild, Inc. v. Google, Inc.*, No. 1:05 CV 8136 (DC) (S.D.N.Y. Sept. 8, 2009), <http://www.publicindex.org/docs/objections/yahoo.pdf> (quoting a Google engineer).

¹⁵⁴ The GBS corpus has grown to more than 15 million volumes as of October 2010. See James Crawford, *On the Future of Books*, INSIDE GOOGLE BOOKS (Oct. 14, 2010), <http://booksearch.blogspot.com/2010/10/on-future-of-books.html>.

Another Google motivation for settlement was so that it could generate revenues from which to recoup the costs of the GBS initiative. Google is an amazingly innovative and successful company, but thus far, it has been, as Steve Ballmer has put the point, “a one-trick pony,” in that it makes the overwhelming majority of its revenues from search-related advertising.¹⁵⁵ Eric Schmidt, Google’s CEO, has said that he likes this pony very much, but he has also been cajoling Google staff to develop new revenue sources.¹⁵⁶ Approval of the settlement would allow Google to keep 37 percent of any revenues generated from selling individual books through the consumer purchase model, from licensing the ISD to universities and other institutions, from certain ads served in response to user queries, and from any other commercializations that it and the BRR might agree upon in the future.¹⁵⁷

Google may also hope to reap additional revenues from GBS by integrating it with its search engine and with other products and services it has been developing. Google has, for example, been promoting its Wave technology as “a real-time communication and collaboration platform that incorporates several types of web technologies, including email, instant messaging (IM), wiki, online documents, and gadgets.”¹⁵⁸ A wave, says Google, “can be both a conversation and a document where people can discuss and work together using richly formatted text, photos, videos, maps, and more.”¹⁵⁹ Integrating GBS with this platform or with social networking technologies that Google may develop or acquire to compete with Facebook would give Google a chance to expand the amount of time that its current user base spends in Google-land and extend opportunities for monetizing that additional user attention.¹⁶⁰ Google could sell more books if every time someone mentioned a book on the Wave platform a special offer appeared with a link to the Google eBook store.

The trade publisher plaintiffs had two main motivations to settle their lawsuit against Google. One was to avert the risk that Google’s fair use defense would succeed; they hoped the settlement would create a precedent that would discourage other scanning projects.¹⁶¹ While a settlement would obviously not set a formal legal precedent, the publishers view the settlement as an implicit admission by Google that it needed to

¹⁵⁵ See, e.g., KEN AULETTA, *GOOGLED: THE END OF THE WORLD AS WE KNOW IT* 204 (2010) (quoting Ballmer).

¹⁵⁶ *Id.* at 204-05.

¹⁵⁷ *Id.* at § 4.5. Google is not obliged to share revenues with BRR for every ad served up when GBS book contents are displayed, but only to those that fall within the definition of certain advertising uses of GBS contents. The ASA provides that “[a]dvertising on general search results pages in which the search is performed over multiple Books and/or over other content such as web pages in response to a user query is not considered an ‘Advertising Use,’ even if a single Book is the sole search result of a given search on a search results page.” ASA, § 3.14. Only ads displayed next to preview uses of the books will give rise to an obligation to share ad revenues with rights holders. *Id.*

¹⁵⁸ See Google, About Google Wave, <http://wave.google.com/about.html>.

¹⁵⁹ *Id.*

¹⁶⁰ See, e.g., Sonia Ryst, *Google Moving Into Facebook Territory With Eye on Social Networking Games*, Wash. Post, Aug. 29, 2010, available at <http://www.washingtonpost.com/wp-dyn/content/article/2010/08/28/AR2010082800207.html> (discussing a number of ways in which Google has been or seems likely to compete with Facebook’s social network).

¹⁶¹ Conversation with John Sargent, *supra* note xx.

license the right to scan books.¹⁶² The settlement might also tip the scales against a fair use defense in a future case challenging book scanning.¹⁶³

A second significant publisher motivation to settle the *Authors Guild* litigation was the opportunity it would provide to generate new revenues from books that are currently generating no income for their rights holders because of their out-of-print status.¹⁶⁴ The GBS settlement confers on Google a de facto monopoly over tens of millions of out-of-print books, which Google intends to monetize through ISD subscriptions, likely to be priced at profit-maximizing levels.¹⁶⁵ Even though the publishers who negotiated the GBS settlement may not intend to make their inventory of out-of-print books available for ISDs,¹⁶⁶ they made sure they would have a role in setting the prices of the ISD to different kinds of institutions to ensure that the revenue-enhancement goal for GBS books would be achieved.¹⁶⁷ The Antitrust Division of the U.S. Department of Justice has expressed concern about the settlement because it appears to facilitate cartel pricing of books.¹⁶⁸ This may have been the publishers' intent.¹⁶⁹

¹⁶² *Id.*

¹⁶³ Google's seeming capitulation to the Authors Guild and the publishers would almost certainly be emphasized in any subsequent lawsuit. In addition, the next scanner's fair use defense might be undermined as unnecessary because GBS books would be available for free from public libraries and some access terminals at higher education institutions, whereas Google could assert in its defense in the *Authors Guild* case that the out-of-print books it scanned for GBS were languishing away on library shelves, and GBS was giving them a new life. A second scanning project might, depending on its scope, be viewed as potentially harmful to the market for the GBS ISD. A court might, moreover, be more skeptical of a "snippet" defense if it appeared that the scanner was hoping to compete with GBS.

¹⁶⁴ There is, of course, a secondary market for used books that are out of print. However, owing to copyright's first sale doctrine, 17 U.S.C. § 109(a), revenues generated from used books do not flow to rights holders.

¹⁶⁵ See DOJ SOI, *supra* note xx, at 23-25 (noting de facto exclusivity). Many concerns have been voiced about the potential for excessive pricing of ISD subscriptions. See, e.g., Samuelson, *supra* note xx, at 1333-41 (discussing the risks of price-gouging of ISD prices if the GBS settlement is approved). Michael Cairns and Mike Shatzkin have estimated that the ISD revenues will be about \$50 million per year from licensed higher education libraries, plus another \$21 million from licensed public libraries, assuming a \$15,000 license fee from the former and a \$5000 license fee from the latter, and another \$23 million for licenses to other institutions (spreadsheet on file with the author).

¹⁶⁶ Statement of Interest by the U.S. Dept. of Justice Regarding the Proposed Settlement at 10, *Authors Guild, Inc. v. Google, Inc.*, Case No. 05 CV 8136 (DC) (S.D.N.Y. Sept. 18, 2009), 2009 WL 3045979 (hereafter "DOJ SOI"). See also Statement of William Morris Endeavor Entertainment at 1 (Aug. 2009), <http://thepublicindex.org/docs/commentary/wme.pdf> ("Few if any major publishers currently intend to make their in print books available for sale through the Settlement Program....It appears that most major publishers will not allow their out of print books to be sold through the Settlement Program either.").

¹⁶⁷ Half of the Board of Directors of the BRR is to be made up of representatives from the publishing industry. ASA, § 6.2(b)(ii).

¹⁶⁸ DOJ SOI at 27. Commentators differ in their assessment of the antitrust issues presented by the GBS settlement. See, e.g., Elhauge, *supra* note xx, and Picker, *supra* note xx.

¹⁶⁹ The publishers may also have been motivated to settle because of the prospect of a windfall payout for those who registered with the BRR for at least some of their out-of-print books. Under the initial GBS deal, they would have been eligible to share in revenues BRR collected from Google that were owed to rights holders of orphan books and others who failed to register with BRR during the first five years of business under the settlement. SA, *supra* note 1, § 6.2(a). DOJ challenged this aspect of the settlement agreement as posing an intra-class conflict. Registered rights holders would have little incentive to search hard for unregistered rights holders if they stood to benefit from the failure of the others to claim their books. See DOJ SOI I, *supra* note xx, at 9-10. Publishers no longer have this motivation to sign up with

A third motivation for publishers to settle the lawsuit with Google may have been to get a technology-savvy partner that could help them figure out how to monetize e-books in a way that would protect these books against “Napsterization.”¹⁷⁰ Trade publishers in particular have been slow to adopt new e-commerce business models, such as sales of e-books “in the cloud.”¹⁷¹ Google has demonstrated not only a high capacity for innovation, but a talent for monetizing a resource (i.e., search) that was once thought unpromising as a business.¹⁷² As Amazon.com emerged as a dominant seller of e-books, publishers welcomed competition from firms such as Apple and Google which, ironically enough, was likely to lead to higher prices for e-books.¹⁷³

The Authors Guild, like the publishers, wanted to settle the lawsuit against Google to set a kind of precedent on fair use issue and to generate new revenue streams from Google’s commercialization of GBS books. However, the Guild and its lawyers seem to have some motivations to settle the lawsuit that differ from the publishers’ motivations.

For one thing, the Guild lacks financial resources with which to pursue full-dress litigation against Google. Its lawyers took the case on a contingency fee basis. These lawyers will only get paid if the case settles or they win the class action lawsuit, an outcome which would be at best many years away and very expensive in the meantime. Thus, a nontrivial inducement to settle rather than litigate for the Guild and its lawyers is the \$30 million the latter are slated to receive upon approval of the GBS settlement.¹⁷⁴

The Guild may also be hoping that the prestige of winning a substantial settlement from Google would help it to attract more authors to become members of the Guild. Insofar as the Guild could persuade the copyright community that its perception that the GBS deal with Google was really good for authors, the settlement would raise the Guild’s prestige within that community as well. This prestige might also have translated into more clout with publishers the next time the Guild raised significant questions about the consistency of publisher practices with copyright law and norms.

Third, the Guild leadership was excited by the chance to participate in the establishment of the BRR as a clearinghouse for licensing books to Google and possibly to other

BRR, as the amended settlement omitted this windfall provision. *See infra* notes xx and accompanying text.

¹⁷⁰ *See, e.g.*, Randall Stross, *Will Books Be Napsterized?*, N.Y. TIMES, Oct. 4, 2009, at B-1.

¹⁷¹ The consumer purchase model envisioned by the settlement involves purchasing access to books that are stored on Google’s servers, rather than downloaded to the consumers’ devices, from which they might be vulnerable to stripping off technical protections that publishers hope will fend off Napsterization. For a discussion of the consumer purchase model, *see, e.g.*, Samuelson, *supra* note xx, at 1348-51.

¹⁷² Auletta, *supra* note xx, at 38-45.

¹⁷³ *See, e.g.*, Motoku Rich, *Publishers Win a Bout in eBook Price Fight*, N.Y. TIMES, Feb. 8, 2010, <http://www.nytimes.com/2010/02/09/books/09google.html>.

¹⁷⁴ The lawyers representing the Publisher Subclass will get \$15.5 million if the GBS settlement is approved. The total amount to be paid to class counsel is, interestingly enough, half a million dollars more than the funds Google plans to set aside to compensate all of the copyright owners whose books Google has scanned for the GBS initiative. A settlement also relieves the lawyers of the obligation to actually litigate the claims they brought.

entities, from which new revenue streams would flow to authors.¹⁷⁵ Publishers have less interest in the BRR than the Guild because most are already active members of the Google Partner Program (GPP) through which they can tailor deals for their books. Guild staff have been actively engaged in planning for the operations of the BRR and believe the BRR will be a boon to the authorial community.¹⁷⁶

Fourth, the Guild wanted a settlement to resolve the e-book rights dispute with publishers so that authors would receive at least 50 percent of the revenues from GBS books, and even more for older books.¹⁷⁷ Without the GBS settlement, chances were high that publishers would assert they owned e-book rights and put authors to the test of litigating the issue on a case-by-case basis, which most would not do. The Guild also wanted to establish a procedure to ensure that authors would be able to enjoy their reversion rights.¹⁷⁸

Even though the litigants had good reasons to want to settle the lawsuit, the GBS deal could not have happened without the assent of Google's library partners. The willingness of these libraries to become customers for the ISD meant that the new commercial enterprise envisioned by the settling parties could get off the ground. The libraries' main motivation in the settlement negotiations was to get much greater access to book contents than the snippets that a successful fair use defense would provide.¹⁷⁹ The libraries were also keen on getting permission to make uses of the LDCs obtained from Google.

The libraries did not, however, have all that much bargaining power in the negotiations. This was partly because they were brought in to the negotiations only after the overall framework for the settlement was already in place. They could thus only negotiate on the edges. The libraries' bargaining power was also lessened by the nondisclosure agreements (NDAs) on which Google insisted with each library that forbade them from discussing terms amongst themselves in relation to Google or the settling parties.¹⁸⁰

II. How Is The GBS Settlement Like Copyright Reform?

¹⁷⁵ Conversation with Jan Constantine, General Counsel of the Authors Guild, Aug. 5, 2009.

¹⁷⁶ *Id.*

¹⁷⁷ Conversation with Michael Boni, *supra* note xx.

¹⁷⁸ *Id.*

¹⁷⁹ *See, e.g.*, ASA § 4.1. The libraries insisted on the dual objectives of the settlement as including a commitment to "the realization of broad access by the public." *Id.* at § 4.1(a)(1). The libraries also insisted on the "coupling" requirement, whereby if a rights holder wanted its book to be available for the consumer purchase model, it also had to be willing to make it available through the ISD. *Id.* at § 3.5(b)(iii). They also wanted some checks and balances on Google's discretion to exclude books from the corpus for editorial as well as non-editorial purposes. *Id.* at § 3.7(e).

¹⁸⁰ According to the past Chair of the Academic Senate at UC Berkeley, the UCB Provost was even forbidden by an NDA from disclosing his discussions with Google and UC librarians to the Chancellor of the University. Conversation with Christopher Kutz, Berkeley CA, Jan. 19, 2010.

There are numerous respects in which the GBS settlement, if approved, will accomplish changes that are tantamount to copyright reform.¹⁸¹ The most obvious and most-discussed is the solution it would provide to the orphan book problem.¹⁸² However, the legislative character of the settlement is apparent from the several other licenses it would grant to Google: to scan all in-copyright books within the settlement, to make non-display uses of them, to give LDCs of these books to library partners, to establish host sites at which non-consumptive research can be carried out, and to commercialize out-of-print books in the corpus.¹⁸³ These licenses are compulsory in the sense that Google has made no effort to get actual consent to the licenses from class members, who are instead deemed to have consented by virtue of their membership in a class whose counsel negotiated the settlement, supposedly on their behalf.¹⁸⁴

Decisions about whether to grant compulsory licenses have traditionally been, as the Register of Copyrights has observed, “the domain of Congress” where the merits of the grant can be “weighed openly and deliberately, and with a clear sense of both the beneficiaries and the public objective.”¹⁸⁵ Congress has been reluctant to grant compulsory licenses unless there is evidence of market failure that can only be cured by such a license, and even then, the license tends to be carefully tailored to address the market failure as well as concerns of various stakeholders who participated in the legislative deliberations.¹⁸⁶

A further respect in which the GBS settlement has a legislative character is because of the hundreds of millions of people it would affect. This obviously includes many millions of copyright owners, not only in the U.S., but worldwide, whom the settlement would bind to a regime that changes the most fundamental default rule of copyright law: the requirement that prospective users of works must get advance permission from rights holders before making uses that implicate the owners’ exclusive rights.¹⁸⁷ The GBS settlement would, however, also affect millions of third parties who are not members of the class and whose interests were not represented in the settlement negotiations, including millions of future GBS users.¹⁸⁸

¹⁸¹ Other aspects of GBSS that have a legislative character include the security provisions of the ASA, App. D, and the provisions setting forth the procedures for determining the in-print or out-of-print status as well as the in-copyright or public domain status of books. *Id.*, §§ 3.2-3.6, App. E.

¹⁸² *See, e.g.*, Statement of Marybeth Peters, Register of Copyrights, before the House Committee on the Judiciary, 111th Cong., 1st Sess., Sept. 10, 2009, at 2-8 (“Peters Statement”). *See also* Grimmelmann, *supra* note xx; Picker, *supra* note xx. The settlement’s solution to the orphan works problem is discussed *infra* notes xx and accompanying text.

¹⁸³ *See infra* notes xx and accompanying text.

¹⁸⁴ Although Google was willing to incur substantial costs to scan millions of books, to make indexes of their contents, to develop and refine search capabilities for finding and serving up snippets, and to litigate its fair use claim, it was not willing to seek advance permission, on a book-by-book basis, for every in-copyright book merely to serve snippets. That would have taken too long and cost too much to allow an effective market to form. *See supra* note xx. For orphan books, an advance-permission market would, moreover, be impossible.

¹⁸⁵ Peters Statement, *supra* note xx, at 3.

¹⁸⁶ *Id.* at 5. Compulsory licenses in copyright are, in fact, relatively rare. *See* 17 U.S.C. §§ 114-115, 119.

¹⁸⁷ *Id.* at 2-3.

¹⁸⁸ *See infra* notes xx and accompanying text.

A. The Settlement Gives Google a License To Scan, Store, and Make Non-Display Uses of All Books Within the Settlement

Approval of the GBS settlement will give Google a license to scan all books covered by the settlement, to store these books on its servers, and to make non-display uses of their contents.¹⁸⁹

Non-display uses are defined as “uses that do not display Expression from Digital Copies of Books or Inserts to the public.”¹⁹⁰ Processing the texts of books to refine Google’s search technologies and to improve automated translation tools are two such uses. Because the term “non-display uses” is broadly defined,¹⁹¹ it will permit some uses of books that Google has not yet disclosed, and likely some that the settling parties have not yet imagined. This term may also encompass non-consumptive research (e.g., searching the corpus of books to trace the origins of particular words or phrases and discern how their meaning evolved over time), although the agreement also explicitly authorizes Google to license two host sites to allow such research on all books in the GBS corpus.¹⁹²

The grant of a license to scan and to make non-display uses of books might have unnecessary if Google won its fair use defense in the *Authors Guild* case. However, the settlement license saves Google the time, money, and distraction of many years of litigation at a relatively cheap price, especially given Google’s resources.¹⁹³

Congress could, of course, have authorized such a license through legislation. Had it done so, proponents of book-scanning and digital library projects would have hailed this as copyright reform. However, the Authors Guild and the AAP would likely have opposed such legislation. Without their support, it is questionable that Congress would enact a safe harbor for scanning in-copyright books for non-display purposes. It seems, moreover, highly unlikely that Congress would adopt such a safe harbor only for Google. From the standpoint of the Authors Guild and the AAP, the GBS settlement is a copyright reform measure in that it establishes, even if only implicitly, that the digitization of in-copyright books for any purpose requires obtaining a license.¹⁹⁴

Implicit in the non-display use provisions of the settlement, for which Google is providing no compensation to rights holders, is the premise that that the only legitimate

¹⁸⁹ *Id.*, § 2.2.

¹⁹⁰ *Id.*, § 1.94.

¹⁹¹ Non-display uses include “display of bibliographic information, full-text indexing without display of Expression (such as listing the number or location of search matches), geographic indexing of Books, algorithmic listings of key terms for chapters of Books, and internal research and development using Digital Copies.” *Id.*

¹⁹² *Id.*, § 7.2(d). If rights holders ask for their books to be removed from the corpus, those books will not be available for non-consumptive research. However, all in-copyright books will be available for non-consumptive research unless the rights holder has expressly directed their exclusion.

¹⁹³ Google agreed to set aside \$45 million to pay members of the amended settlement class \$60 per book scanned on or before May 5, 2009. ASA, § 2.1(b).

¹⁹⁴ Telephone conversation with John Sargent, Aug. 11, 2009.

interest copyright owners have in their books is the right to control the display of expression from the books to members of the public.¹⁹⁵ That premise may well be sound, but it is not obviously so. Some objections to the settlement pointed to its failure to provide compensation for non-display uses of in-copyright works.¹⁹⁶

Interestingly enough, neither the Authors Guild nor the trade publishers' complaints mention Google's non-display uses of books. During settlement negotiations, the plaintiffs tried to negotiate for compensation for non-display uses, but Google let it be known that there would be no deal unless it was free to make these uses without compensation.¹⁹⁷

Non-display uses of books have important commercial significance for Google. Two of Google's key competitors in the search engine business, Yahoo! and Microsoft, objected to the non-display use provisions of the settlement because the non-display use license confers upon Google a competitive advantage in the search market that they deem unfair.¹⁹⁸ This is because studies have shown that users' satisfaction levels with search engines—and hence their loyalty to and persistent use of them—are affected by how well the engines respond to so-called “tail” queries, that is, queries on esoteric topics (e.g., seeking information about a particular bird native to the Amazon River delta, the anatomical structure of whales, or import and export data for Lithuania in the 19th century) that many users of search engines occasionally make.¹⁹⁹ For common search queries (e.g., movie schedules for a particular theatre, where to find a particular model of Nikon camera, hotels available in Bermuda), virtually any search engine is as good as the others. However, Google's ability to respond to tail queries will be vastly improved by its ability to search through the GBS book corpus.²⁰⁰

Google has been making non-display uses of the now 15 million books in the GBS corpus during the pendency of the settlement approval, perhaps because of its confidence either that the settlement will be approved or these uses are fair.²⁰¹ Among the books of which non-display uses are being made are many that are not covered by the settlement

¹⁹⁵ This proposition finds support in *Sag*, *supra* note xx, at 1609.

¹⁹⁶ *See, e.g.*, Guthrie Objection, *supra* note xx, at 9-10.

¹⁹⁷ Conversation with Michael Boni, *supra* note xx.

¹⁹⁸ *See, e.g.*, Objections of Microsoft Corp. to Proposed Amended Settlement Agreement and Certification of the Class, *Authors Guild, Inc. v. Google, Inc.*, Case No. 05 CV 8136 (DC) (S.D.N.Y. Jan. 28, 2010), http://thepublicindex.org/docs/amended_settlement/Microsoft_Objection.pdf; Yahoo Objection, *supra* note xx, at 25. Although Google executives have often said that “anyone could do what we did,” the DOJ has recognized that it would be irresponsible for a firm such as Microsoft to start scanning in-copyright books in the hope that the same or a new set of plaintiffs would file a class action lawsuit to challenge scanning and non-display uses that would then settle on similar terms to the GBS deal. *See* DOJ SOI, *supra* note xx, at 21. The only legitimate way that Google's competitors could get a comparable license to make non-display uses of in-copyright books would be through legislation.

¹⁹⁹ *See, e.g.*, Supplemental Memorandum of Amicus Curiae Open Book Alliance in Opposition to the Proposed Amended Settlement at 17-18, *Authors Guild, Inc. v. Google, Inc.*, Case No. 05 CV 8136 (DC) (S.D.N.Y. Jan. 28, 2010), http://thepublicindex.org/docs/amended_settlement/Open_Book_Alliance.pdf (“OBA Supplemental Memorandum”).

²⁰⁰ *Id.*

²⁰¹ *Id.* at 15.

(e.g., books whose rights holders have opted out of the settlement, and books whose foreign rights holders are excluded from the amended settlement).

The compulsory license that the settlement will give Google to scan, store, and make non-display uses of GBS books without obtaining advance permission from rights holders can be viewed as a kind of copyright reform through private ordering.

B. The Settlement Gives Google a License to Commercialize Out-of-Print Books

The single most significant reform of default copyright rules that will flow from approval of the GBS settlement is the license the agreement would give Google to commercialize all out-of-print books within the settlement.²⁰² The settlement would, in essence, grant Google a compulsory license to commercialize these books because although rights holders can say no, they must come forward to do this; and in the meantime, Google has the right to commercialize their books.²⁰³

On several occasions, Congress has authorized compulsory licenses to make uses copyrighted content to facilitate the development of new markets or to overcome market failure.²⁰⁴ Amazon.com is among the opponents of the GBS settlement that vigorously asserts that the grant of a compulsory license to commercialize out-of-print but in-copyright books is an action that can lawfully be accomplished only through legislation,²⁰⁵ not through the settlement of a class action lawsuit.

The settlement is legislative also in setting forth the procedure by which Google will determine whether a book is out of print and thus subject to the default commercialization license.²⁰⁶ Google is obliged to consult various data sources to determine whether particular books are commercially available or not; if not, the books will be deemed out-of-print and available for commercialization.²⁰⁷ A rights holder's only recourse if he or she contests Google's determination is to initiate a compulsory arbitration under the aegis of the BRR.²⁰⁸

The default commercialization license not only allows Google to avoid incurring the very high transaction costs of book-by-book rights clearances, but also sets forth standard

²⁰² ASA, §§ 2.1, 3.3.

²⁰³ Rights holders can also sign up for the Google Partner Program and thereby be freed from default settlement license terms. Approval of the GBS settlement would, in effect, create an extended collective license akin to those adopted in some Nordic countries. See, e.g., Tarja Koskinen-Olsson, *Collective Management in the Nordic Countries* at 290-96 in COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS (Daniel Gervais, ed. 2010).

²⁰⁴ 17 U.S.C. §§ 114-115, 119.

²⁰⁵ Objection of Amazon.com, Inc. to Proposed Settlement at 1-14, Authors Guild Inc. v. Google Inc., No. 1:05-CV-8136 (S.D.N.Y. Sept. 1, 2009), available at <http://thepublicindex.org/docs/letters/amazon.pdf>.

²⁰⁶ ASA, § 3.2.

²⁰⁷ *Id.*, § 3.2 (d)(i)

²⁰⁸ *Id.*, § 3.2(d)(iv). The ASA indicates that Google and the BRR are supposed to work together to resolve disputes over whether books are commercially available or unavailable. *Id.* But if this does not occur, arbitration will ensue.

terms for Google's use of out-of-print books. Up to 20 percent of the contents of these books, for example, can generally be displayed in response to search engine queries.²⁰⁹

Google has the right, and indeed, the obligation, to commercialize out-of-print books in four ways: (1) sale of access rights to individual books to consumers, (2) licensing of an ISD of books to institutions, (3) running ads next to book contents responsive to user queries, and (4) collecting revenues from libraries and other ISD subscribers for pages printed out from ISD books.²¹⁰ The settlement contemplates three additional business models—namely, print-on-demand, individual downloads of books, and consumer subscriptions—that may be adopted in the future if Google and the BRR agree.²¹¹

Under the settlement, Google is entitled to keep 37 percent of any revenues it makes from these commercial activities; it is required to provide the other 63 percent to the BRR for distribution to the appropriate rights holders (from which BRR will, of course, deduct some share to cover its administrative expenses).²¹² The settlement calls for close monitoring of the usages of individual books so that compensation can be allocated to the proper rights holders for usages of the books.²¹³

This default commercialization license is another example of a private-ordering copyright reform measure. The settling parties recognized that out-of-print books have been generating no revenues for their rights holders. These books might, however, become commercially viable again because the economics of digital publishing are so different from the economics of print publishing, especially if an ISD of out-of-print books could be licensed to the very research libraries from which Google was scanning books. The default commercialization license holds out promise for generating substantial revenues for Google as well as for authors and publishers; it would at the same time make the contents of these books more widely available, which is something Congress could decide to authorize, although it has not done so.

C. Resolving the Author-Publisher e-Book Rights Dispute

The GBS settlement negotiations went on for 30 months in no small part because the Guild and the AAP were attempting to resolve not only issues about what Google could and could not do with GBS, but also to address disputes between them about e-book rights. The Guild and the AAP negotiators took the opportunity presented by the

²⁰⁹ *Id.*, §§ 3.3 (granting Google a license to make display uses of books, including preview uses), 4.3 (setting forth rules about preview uses).

²¹⁰ *Id.*, §§ 2.1(a) (authorizing Google to sell ISD subscriptions, individual books, and place ads), 4.1 (per-page print-out fee authorization).

²¹¹ *Id.*, § 4.7.

²¹² *Id.*, § 4.5.

²¹³ *See, e.g.*, Electronic Privacy Information Center, *Google Books Settlement and Privacy*, <http://epic.org/privacy/googlebooks/default.html> (detailing provisions of the proposed settlement that call for monitoring of uses of GBS books). Some objectors or opponents of the settlement have focused on inadequacies in protection of GBS user privacy. *See, e.g.*, Privacy Authors and Publishers' Objection to Proposed Settlement at 1, *Authors Guild Inc. v. Google Inc.*, No. 1:05-CV-8136 (S.D.N.Y. Sept. 4, 2009), available at http://thepublicindex.org/objections/privacy_authors.pdf.

settlement talks with Google to negotiate a compromise solution to the very contentious issues about who, as between authors and publishers, owns the rights to authorize Google to make and sell digitized copies of in-copyright books. As noted above, the *Rosetta Books* decision suggested that these rights might well reside in authors, although trade publishers contest this conclusion.²¹⁴

The compromises the Guild and AAP reached are embodied in Attachment A to the GBS settlement agreement.²¹⁵ In particular, the Guild and AAP agreed that where contracts were unclear about e-book rights, authors of books published before 1987 should receive 65 percent of any revenues Google provides to BRR from its commercialization of the books, and publishers would get 35 percent of these revenues.²¹⁶ For books published after 1986, the revenue split is to be 50-50,²¹⁷ apparently because that year was when digital rights began to be perceived as a possible new market. Attachment A also sets forth a procedure for ensuring that authors are able to accomplish reversions of copyright to which they are entitled by providing that a publisher's failure to respond to a reversion request letter within a certain time will not thwart the reversion from happening.²¹⁸

As noted earlier, the unclarity about who owns the right to authorize digitization of in-copyright books and commercialization of them is a troubling feature of the U.S. copyright landscape in the modern era. Litigation on a case-by-case basis seems a less than satisfactory way to resolve such issues. While legislation may be a more appropriate way to address this problem, there is such a deep divide between authors and publishers on this issue that legislation seems infeasible.

Attachment A is thus an additional example of copyright reform through private-ordering that the settlement would achieve. Google is the only entity that will benefit from the resolution of the author-publisher e-book rights issues. The inability of other would-be digitizers to attain a comparable resolution effectively means that Attachment A creates a barrier to entry that may impede competition.²¹⁹

D. The Settlement Offers a Solution for the Orphan Book Problem

The most obvious respect in which the GBS settlement would achieve an important measure of copyright reform is in the solution it provides to the orphan book problem—at least for Google. Although the settlement says almost nothing directly about orphan works,²²⁰ it contains some important provisions affecting unclaimed works (that is, books

²¹⁴ See *supra* notes xx and accompanying text.

²¹⁵ ASA, Att. A.

²¹⁶ *Id.*, § 6.2.

²¹⁷ *Id.*

²¹⁸ *Id.*, § 6.3.

²¹⁹ Statement of Interest by the U.S. Dept. of Justice Regarding the Proposed Settlement at 15-16, 21-22, *Authors Guild, Inc. v. Google, Inc.*, Case No. 05 CV 8136 (DC) (S.D.N.Y. Feb. 4, 2010), available at http://thepublicindex.org/docs/amended_settlement/usa.pdf (hereafter “DOJ SOI II”).

²²⁰ Some provisions would allow Google and its library partners to take advantage of legislative changes, such as those affecting orphan works. ASA, § 3.8, 7.2(b)(v).

within the settlement whose rights holders have not registered with BRR).²²¹ The agreement implicitly recognizes that some books will remain unclaimed for the rest of their copyright terms, which means they are plausibly described as orphans because BRR is obliged to search for their owners. Some commentators view the unclaimed work provisions of the GBS settlement as its single most significant component.²²²

The settlement will have significant impacts on the availability of orphan works because under current law, these works can arguably not be made available at all, whereas approval of the settlement would allow Google to make up to 20 percent of the contents of these books available for free to users of its search engine. It would also permit Google to make the full texts of these books available to users of public and university libraries at free terminals as well as to subscribers to the ISD.

Another significant impact of the settlement on orphan works is that these books will begin generating revenues again, perhaps very substantial revenues over many years, because the settlement contemplates that Google will commercialize these books for the full term of their copyrights. Under current law, commercial distribution of in-copyright books would, on its face, be copyright infringement. Google is obliged to pay 63 percent of the revenues it earns from commercialization of these books to BRR, whether or not the books are ever claimed.²²³ The settlement further commits Google to charging profit-maximizing prices for unclaimed as well as for claimed books.²²⁴ Because owners of rights in unclaimed books are unavailable to specify their preferred prices, the settlement directs Google to use an algorithm to set prices for these books, ranging from \$1.99 to \$29.99 per book.²²⁵ The pricing algorithm is supposed to be designed to mimic pricing in a competitive market.

The settlement uses a clever mechanism to mitigate the orphan work problem for books. It gives BRR the right to use some of the money generated from Google's commercialization of the books for the purpose of searching for rights holders. Proponents of the settlement believe that these rights holders will not only be findable, but glad to sign up with BRR so they can receive their fair share of GBS revenues. It would make sense for BRR to search first for those rights holders whose books are generating the most revenues.

But the settlement also recognizes the possibility that many rights holders will not be found and that funds from the commercialization of unclaimed books will remain in BRR coffers. One key question is what happens to that money. The settlement provisions that address this question are also an important dimension of the orphan work reform it will achieve.

²²¹ *Id.*, § 6.3.

²²² *See, e.g.*, James Grimmelmann, *The Google Book Search Settlement: The End, Means, and Future of Books*, available at <http://www.acslaw.org/files/Grimmelmann%20Issue%20Brief.pdf>.

²²³ ASA, § 4.5(a), 6.3(a).

²²⁴ *Id.*, § 4.1(a)(i), 4.2(c).

²²⁵ *Id.*, § 4.2(c).

Under the original settlement, BRR was directed to hold onto the unclaimed work funds for five years, after which the funds would be paid out first to BRR-registered rights holders, and then to literacy-promoting charities.²²⁶ The DOJ objected to this allocation arrangement, perceiving it to create an intra-class conflict, for registered rights holders would have little incentive to look for owners of unclaimed works if the registrants stood to benefit financially if the unclaimed work owners never showed up.²²⁷

To avoid this conflict, the amended settlement calls for the appointment of an unclaimed work fiduciary (UWF) to make certain decisions about Google's exploitation of unclaimed works and to act as something of a gatekeeper for funds owed to rights holders of unclaimed works.²²⁸ The amended settlement also directs that funds generated by Google's commercialization of unclaimed works be held in escrow for ten years, after which the unclaimed work funds can be paid out to charities or otherwise allocated in a manner consistent with state laws.²²⁹

The settlement's treatment of unclaimed books is no small matter. No one knows how many books will ultimately be unclaimed if the GBS settlement is approved. Google spokesmen have tended to offer fairly conservative estimates about the proportion of orphan books in the GBS corpus.²³⁰ If this corpus grows to 50 million books, as some expect,²³¹ and the proportion of orphans remains constant, the Google estimate would yield 7.5 million orphan GBS books.²³²

²²⁶ SA, § 6.3(a)(i).

²²⁷ DOJ SOI I, *supra* note xx, at 9-10.

²²⁸ ASA, § 6.2(b)(iii). The only qualification ASA provides for this position is a negative one: he/she cannot be a book author or publisher. *Id.*

²²⁹ *Id.*, §§ 6.2(b)(iv), 6.3(a). Some states object to the GBS settlement on the grounds that their states' unclaimed funds laws do not permit the allocations set forth in the settlement. *See, e.g.*, Objection of the State of Connecticut to Amended Class-Action Settlement, Authors Guild v. Google Inc., available at http://thepublicindex.org/docs/amended_settlement/Connecticut_Objection.pdf.

²³⁰ *See Competition and Commerce in Digital Books: Hearing Before the H. Comm. on the Judiciary*, 110th Cong., 2d Sess. at 12 (2009) (Testimony of David Drummond, Senior Vice President of Corporate Development and Chief Legal Officer of Google, Inc. estimating that 20 percent of in-copyright out-of-print books will likely be orphans). Other commentators suggest that the orphan book problem is considerably smaller than that. *See, e.g.*, Michael Cairns, 580,388 *Orphan Works, Give or Take*, Sept. 9, 2009, available at <http://personanondata.blogspot.com/2009/09/580388-orphan-works-give-or-take.html> (estimating that fewer than 600,000 books will be orphans).

²³¹ *See, e.g.*, Courant Letter, *supra* note xx, at 1 (estimating that Google will scan 50 million unique books for GBS).

²³² One disinterested source has estimated that between 2.8 and 5 million books of the roughly thirty million books in U.S. libraries are orphans. *See* Statement of William Morris Endeavor Entertainment, Aug. 2009, available at <http://thepublicindex.org/docs/commentary/wme.pdf> (noting a Financial Times estimate that between 2.8 and 5 million of the 32 million books protected by copyright in the U.S. are likely to be orphans). There is reason to believe that the proportion of orphans and of out-of-print books would be substantially higher as the number of books in the GBS corpus approaches 50 million, for there are only a few million books in-print, and Google may be scanning most of them through the GPP, not through the library partner program.

The proportion of orphan books may, however, be higher than this, perhaps much higher.²³³ “Older” books, especially those published before the 1980s,²³⁴ are especially likely to be unclaimed and effectively orphaned. This is in part because in the 30 years or more since the publication of these books, the publishers may have gone out of business; authors may have passed away, be suffering from debilitating states, or otherwise uninterested in overtures from the BRR; and their heirs may be ignorant about rights in their forebearers’ books or too numerous or dispersed to track down.

There is a separate question about how valuable orphan books will turn out to be. It is, of course, too early to know exactly their value. Yet, the settlement agreement gives some hints about their perceived value. Orphan books sold through the consumer purchase model will, for instance, be priced by default in twelve bins, ranging from \$1.99 to \$29.99, with fixed percentages for each price bin.²³⁵ The goal of the GBS pricing algorithm is to maximize revenues for claimed as well as unclaimed books.²³⁶ Although each book in the ISD, on its own, may not be all that commercially valuable, a corpus of millions of them will be. ISD subscription prices are supposed to approximate market returns for a multi-million book database.²³⁷ A substantial portion of books in the ISD—perhaps even a majority of them—is likely to be orphans.²³⁸

A shared objective of the Guild and the AAP in the settlement negotiations may have been that orphan books not be available for free or on open access basis, as the Copyright Office and other commentators have urged.²³⁹ This would likely make it difficult for their members’ profit-maximizing books to compete with free ones. This may explain why the amended settlement does not give the UWF any power to direct Google to make unclaimed books available on an open access basis, to suggest discounts, or to have input into ISD pricing.²⁴⁰ Copyright reform for orphan books, in the Guild’s and AAP’s view, should not undercut the ability of profit-maximizing rights holders to obtain substantial revenues from their books through GBS.

E. Library Privileges Under the GBS Settlement

²³³ Jonathan Band estimates that 75 percent of the in-copyright books in the GBS corpus will likely be unclaimed. Band, *supra* note xx, at 294.

²³⁴ Roughly half of the books in U.S. library collections were published before 1977 and one-third before 1964. See Brian Lavoie & Lorcan Dempsey, *Beyond 1923: Characteristics of Potentially In-copyright Print Books in Library Collections* 4-5, D-LIB MAG., Nov.-Dec. 2009, available at <http://www.dlib.org/november09/lavoie/11lavoie.html>. Moreover, research library collections tend to include a higher percentage of older books. *Id.* at 12. Covey reports that 67 percent of copyright owners of books published in 1923-29 were orphans, as were 38 percent for books published in the 1960s. Covey, *supra* note xx, at 1

²³⁵ ASA, *supra* note 1, § 4.2 (setting percentages for algorithmic pricing bins).

²³⁶ *Id.* at § 4.2(c)(ii)(2).

²³⁷ *Id.*, § 4.1.

²³⁸ There is reason to think that the publishers who negotiated the GBS settlement will not be including their books in the GBS ISD. See Morris Statement, *supra* note xx (“Few if any major publishers currently intend to make their in print books available for sale through the Settlement Program....It appears that most major publishers will not allow their out of print books to be sold through the Settlement Program either.”).

²³⁹ See Orphan Works Report, *supra* note xx, at 11.

²⁴⁰ ASA, §§ 6.2, 6.3.

There are at least three significant copyright reforms affecting libraries and their patrons that approval of the GBS settlement would bring about. One is the ability of library partners to receive from Google and make specified uses of LDC copies of books from their collections. A second is the non-consumptive research privilege that research libraries can make of their LDCs, a privilege that would also more generally be available to nonprofit researchers at two host sites for the full GBS corpus. A third is the settlement's commitment to provide one free public access terminal to the ISD corpus per public library and a certain number of free public access terminals to higher education libraries. Each is discussed below.

The GBS settlement would loosen significantly certain constraints under which libraries now operate because of copyright rules. Section 108 of the 1976 Act does not expressly permit mass digitization of library books for preservation or other purposes.²⁴¹ The GBS settlement authorizes Google to engage in mass digitization of in-copyright books and to give its fully participating library partners an LDC of the books in their collection.²⁴² If these partners are members of an institutional consortium with which Google has a digitization agreement, Google can give them a copy not only of books Google scanned from their collections, but also other books in the collective's collections, even if Google scanned those books from another library.²⁴³

The settlement also identifies several types of uses that can be made of the LDCs.²⁴⁴ They include providing special access to books in the LDC for print-disabled persons,²⁴⁵ replacing copies of books that have been damaged, destroyed, or stolen if unused replacements cannot be obtained at a fair price,²⁴⁶ deploying information-locating tools to help users identify pertinent books and to display snippets to assess relevance,²⁴⁷ allowing access to orphan books if Congress enacts legislation allowing uses of these books,²⁴⁸ enabling faculty and research staff to read, print, or download up to 5 pages from out-of-print books in the LDC for personal scholarly use or for classroom teaching,²⁴⁹ and providing qualified nonprofit researchers to engage in non-consumptive research on the LDC corpus.²⁵⁰ The settlement also provides that these libraries may make other lawful uses of LDC contents if the BRR agrees to them.²⁵¹ Libraries can obviously also make fair and other § 108 privileged uses of the LDC copies. However, the settlement constrains the use of LDCs for making inter-library loans, creating course

²⁴¹ See *supra* notes xx and accompanying text.

²⁴² ASA, § 7.2(a)(i). The GBS settlement provides that Google's fully participating library partners are third party beneficiaries of the agreement as to many of its provisions. *Id.*, § 7.2 (f).

²⁴³ ASA, § 7.2(a)(ii)-(iii). For the sake of brevity, the conditions attached to these authorizations are omitted.

²⁴⁴ *Id.*, § 7.2(b). The agreement contemplates meetings of Google, BRR, and library representatives to discuss library uses of LDC books and a set of standards for library reporting on such uses. *Id.*, § 7.5.

²⁴⁵ *Id.*, § 7.2(b)(ii).

²⁴⁶ *Id.*, § 7.2(b)(iii).

²⁴⁷ *Id.*, § 7.2(b)(iv).

²⁴⁸ *Id.*, § 7.2(b)(v).

²⁴⁹ *Id.*, § 7.2(b)(vii).

²⁵⁰ *Id.*, § 7.2(b)(vi).

²⁵¹ *Id.*, § 7.2(b)(ix)(1).

e-reserves, or developing course management systems.²⁵² The permitted library uses of LDCs under the settlement are considerably more generous in scope than § 108.

Also more generous than § 108 are the nonconsumptive research provisions of the GBS agreement. The settlement defines nonconsumptive research as “research in which computational analysis is performed on one or more Books, but not research in which a researcher reads or displays substantial portions of a Book to understand the intellectual content presented within the Book.”²⁵³ Nonprofit researchers from fully participating libraries will be able to use their own institutions’ LDCs to engage in such research. Nonprofit researchers will more generally have access to the full GBS research corpus (including many books that Google does not have the right to commercialize) for nonconsumptive research at two host sites.²⁵⁴

The settlement gives five examples of nonconsumptive research: image analysis (either to improve image quality or to extract information from the image); textual analysis and information extraction (e.g., concordance development, citation extraction, natural language processing); linguistic analysis; automated translation; and indexing and searching.²⁵⁵

Computational parts of nonconsumptive research make, in GBS-speak, nondisplay uses of books in the corpus.²⁵⁶ Yet, some display of book contents may be necessary to achieve the goal of specific nonconsumptive research projects. A linguist who is interested in studying how usage of a certain word evolved over time will, for example, need to be able to read portions of the texts of books that contain this word and to quote from the texts in a research paper reporting on the results of this analysis.²⁵⁷ Nonconsumptive research is not, then, wholly nonconsumptive.

Some academics support the GBS settlement because of the scholarly benefits likely to flow from its nonconsumptive research provisions.²⁵⁸ One classics scholar contends that

²⁵² *Id.*, § 7.2(c)(iii)-(v).

²⁵³ *Id.*, § 1.93.

²⁵⁴ *Id.*, § 7.2(d). The research corpus will consist “all Digital Copies of Books made in connection with the Google Library Project.” *Id.*, § 1.132. It will not, however, include books whose rights holders have asked Google to remove the books to remove from the corpus on or before April 5, 2011, nor books whose rights holders ask to be withdrawn from the research corpus. *Id.*, § 7.2(d)(iv).

²⁵⁵ *Id.*, § 7.2(d).

²⁵⁶ *See, e.g.*, Sag, *supra* note xx, at 1609 (discussing copyright implications of non-expressive uses of copyrighted works, including non-display uses of GBS books).

²⁵⁷ Google has recently released a software tool, the Google Ngram Viewer, that allows users of GBS to conduct nonconsumptive research on the GBS corpus. *See* <http://ngrams.googlelabs.com/>.

²⁵⁸ *See, e.g.*, Letter from Gregory Crane to Judge Chin in Support of the Settlement Agreement at 1, Authors Guild, Inc. v. Google, Inc., No. 1:05 CV 8136 (DC) (S.D.N.Y. Aug. 8, 2009), available at <http://www.publicindex.org/docs/crane.pdf> [“Crane Letter”] (comparing GBS to the Human Genome Project); Letter from Michael Heller to Judge Chin at 3 (comparing the GBS research corpus to the Library of Alexandria), Authors Guild, Inc. v. Google, Inc., No. 1:05 CV 8136 (DC) (S.D.N.Y. Aug. 8, 2009), available at <http://thepublicindex.org/docs/letters/Stanford%20Libraries.pdf>; Letter from members of the Stanford University Computer Science Department to Judge Denny Chin at 2-3, Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136, (S.D.N.Y. Sept. 3, 2009), *available at*

the GBS research corpus may be “the foundation for the reinvention of [the] field” of Greco-Roman studies because it would allow researchers to “explore larger, more challenging research projects than were ever feasible before.”²⁵⁹ Non-consumptive research on the GBS research corpus, he asserts, “can be an extraordinary catalyst,” providing humanist scholars with “the raw materials with which to build this new digital age.”²⁶⁰ It will contribute to “the emergence of a radically new, but deeply traditional form of intellectual activity,”²⁶¹ and build intellectual citizenship and participation in knowledge creation by undergraduates.²⁶²

While it is possible that scanning books for purposes of engaging in non-consumptive research would, if litigated, be deemed a fair use of in-copyright books,²⁶³ this is far from certain, particularly given that as the settlement defines the term, this research includes some consumptive uses. The settlement’s endorsement of this research is tantamount to legislation creating a new exception to allow this type of use.

Non-consumptive research is closely regulated by the settlement, which restricts it in some very important ways. Only nonprofit researchers are eligible to participate in such research.²⁶⁴ The settlement requires non-consumptive researchers to provide a “research agenda” in advance of undertaking the research.²⁶⁵ Researchers are forbidden to make commercial use of any information extracted from books in the corpus unless both Google and the Registry have expressly consented.²⁶⁶ They are also forbidden to use data extracted from the research corpus for services to third parties if such services compete with services offered by rights holders or Google.²⁶⁷ These restrictions too have a quasi-legislative character.

More beneficial to the general public, however, than the LDC and nonconsumptive uses of the GBS corpus are the provisions of the settlement that commit Google to making available, upon request, one public access terminal per public library which will allow public library patrons to have full access to the books in the GBS ISD.²⁶⁸ Free public access terminals to the ISD will also be available to institutions of higher education, based on the number of students enrolled.²⁶⁹ While Google or any other private firm

http://thepublicindex.org/docs/letters/stanford_cs.pdf (predicting order of magnitude improvements in learning from non-consumptive research uses of GBS).

²⁵⁹ Crane Letter, *supra* note xx, at 1.

²⁶⁰ *Id.*

²⁶¹ *Id.*

²⁶² *Id.* at 3.

²⁶³ Sag, *supra* note xx, at 1609 (arguing that nonexpressive uses of copyrighted works may be fair).

²⁶⁴ ASA, § 1.121 (defining “qualified user” for purposes of non-consumptive research). For-profit researcher can only participate in non-consumptive research on the GBS corpus with the prior written consent of both Google and the Registry.

²⁶⁵ *Id.*, § 7.2(d)(xi)(2).

²⁶⁶ *Id.*, § 7.2(d)(viii).

²⁶⁷ *Id.*, § 7.2(d)(ix).

²⁶⁸ *Id.*, § 4.8.

²⁶⁹ *Id.* Google’s willingness to provide public access terminals to public libraries for free is somewhat less eleemosanary than it might initially sound, as Google expects that the free public access terminals will drive demand for paid subscriptions to the ISD by public libraries that want the ISD corpus to be available

would always be free to provide computer terminals to public libraries, what makes the settlement's commitment to these free access terminals like copyright reform is that the settlement would authorize the display of contents of millions of in-copyright books through those terminals.

F. Per-Page Printing Fees as a New Source of Revenue

The GBS settlement provides that libraries and other institutional subscribers to the ISD must pay a fee for every page they or their patrons print out from books in the ISD.²⁷⁰ The size of this fee is left unspecified in the agreement.²⁷¹ BRR is responsible for deciding how to allocate the per-page printing fees to registered rights holders.²⁷²

The per-page print-out fee to be charged for ISD books is arguably another example of copyright reform through private ordering via the GBS settlement because copyright owners today do not generally obtain a direct revenue stream from library patron copying of pages from books.

Patron copying of pages from in-copyright library books has been a contentious issue between copyright owners, on the one hand, and librarians and researchers, on the other hand, for several decades.²⁷³ This issue, particularly as to photocopying, was debated at length during the legislative history of the 1976 Act. It was one of the new technology controversies that held up the enactment of copyright revision bills for some years.²⁷⁴

Librarians and researchers have typically argued that it is fair use to make copies of individual articles from journals or a small number of pages from books, as well as for libraries to make such copies on behalf of their patrons as long as librarians refrained from charging more for the photocopies than was necessary to cover costs.²⁷⁵

The short version of their argument runs something like this: The noncommercial and research purpose of such copies cuts in favor of fair use. Most copying for research purposes is being done from fact-intensive works, which tend to enjoy a broader scope of fair use. The amount copied by or for each patron is often only a small portion of a larger work, and only one copy is typically made. The mere fact that publishers want to charge

to all patron. Statement of Daniel Clancy, Chief Engineer of the GBS project, at a conference on Google Book Search and the Future of Access to Information, UC Berkeley, Aug. 28, 2009.

²⁷⁰ ASA, § 4.8(a)(ii). The settlement also limits the number of pages that can be printed out from ISD books in any one session. *Id.*, § 4.1(d) (allowing printing of up to 20 pages from ISD books). The settlement also limits the number of pages that can be cut-and-pasted from ISD books to four. *Id.* Consumers who purchase books can print out up to 20 pages from the books they bought. *Id.*, § 4.2(a).

²⁷¹ This fee will be set by the BRR and is supposed to be "reasonable." *Id.* Google is supposed to collect the printing fees from the institutions obliged to pay them and provide 63 percent of them to the BRR. *Id.* ²⁷² *Id.*, § 6.1(d).

²⁷³ *See, e.g.*, WILLIAM F. PATRY, *THE FAIR USE PRIVILEGE IN COPYRIGHT LAW*, Chaps. 7-13 (1985).

²⁷⁴ *Id.*, Chap. 12.

²⁷⁵ *See, e.g.*, KENNETH D. CREWS, *COPYRIGHT, FAIR USE, AND THE CHALLENGE FOR UNIVERSITIES: PROMOTING THE PROGRESS OF HIGHER EDUCATION* (1993). *See also* Pamela Samuelson, *Unbundling Fair Uses*, 77 *FORDHAM L. REV.* 2537, 2580-87 (2009)(discussing fair use for purposes of promoting learning).

for this type of use does not mean there is harm to the market; besides publishers have taken photocopying into account in setting the price of journal subscriptions to libraries.

Publishers have long protested that neither patron nor library copying is fair use.²⁷⁶ The short version of their argument is this: The purpose of the use is consumptive, not productive (that is, no new work of authorship results from this copying, unlike the use of quotes from a previous work in a biography or history). The copying is typically done of whole works (e.g., individual articles from a journal) or significant parts (e.g., a chapter or two from a book). Publishers view photocopying as a new market for their works, and seek compensation for the multiplication of copies resulting from photocopying. Library photocopying on behalf of patrons was, in their view, even more unfair than patron copying because of its more systematic and extensive character.

This issue was in heated litigation while Congress was considering copyright revision bills. Williams & Wilkins, the publisher of medical research journals, sued the U.S. government because the National Institutes of Health (NIH) was operating a service to make single photocopies of individual journal articles for scientific researchers when requested to do so.²⁷⁷ A trial court initially ruled that this copying was infringement.²⁷⁸ However, a larger panel of Court of Claims judges reversed this ruling by a 4-3 majority, with the majority concluding that this nonprofit library copying for patrons was fair use.²⁷⁹ Although the Supreme Court granted Williams & Wilkins petition for certiorari, the Court ultimately affirmed the Court of Claims' ruling in a 4-4 split on the merits of the government's fair use defense.²⁸⁰ Congress did not override the *Williams & Wilkins* ruling in the 1976 Act, and left photocopying issues to the vagaries of fair use jurisprudence.

More than a decade after *Williams & Wilkins*, publishers brought a new lawsuit challenging photocopying of journal articles for research purposes in *American Geophysical Union v. Texaco, Inc.*²⁸¹ In *Texaco*, a divided Second Circuit ruled that the copying of scientific and technical articles by commercial research scientists was not fair use, in substantial part because the Copyright Clearance Center (CCC) had been established to license for-profit subscribers, such as Texaco, whose researchers wanted to make copies of articles from the journals.²⁸²

Perhaps because of the divided decision in *Texaco*, publishers did not bring a follow-on lawsuit challenging photocopying at nonprofit research institutions, even though much of

²⁷⁶ See, e.g., Patry, *supra* note xx, Chaps. 7, 13 (discussing publisher arguments).

²⁷⁷ *Williams & Wilkins Co. v. United States*, 487 F.2d 1345 (Ct. Cl. 1973).

²⁷⁸ *Id.* at 1347.

²⁷⁹ *Id.* at 1350-53.

²⁸⁰ *Williams & Wilkins Co. v. United States*, 420 U.S. 376 (1975).

²⁸¹ 60 F.3d 913 (2d Cir. 1994). The Second Circuit did not address whether copying by an individual researcher would be fair use. *Id.* at 916.

²⁸² *Id.* at 929-31. After a storm of criticism about the circularity of the harm analysis in *Texaco* (under which a use would be unfair if a publisher wanted to license it), the Second Circuit issued an amended opinion that tried to respond to this criticism. Compare *American Geophysical Union v. Texaco, Inc.*, 37 F.3d 891 (2d Cir. 1994), with *American Geophysical Union v. Texaco, Inc.*, 60 F.3d 913 (2d Cir. 1994).

the reasoning in *Texaco* would seemingly apply in nonprofit settings as well.²⁸³ Another factor may have been section 108(d) of the 1976 Act which provides libraries with a privilege to provide copies of one article from a journal or one chapter from a book to individual patrons as long as it is done for purposes of private study.²⁸⁴ Researchers often photocopy pages from books in major research library collections that are generally regarded as fair uses by commentators.²⁸⁵

Insofar as the GBS settlement would now require libraries and patrons to provide compensation to copyright owners for printing out even one or two pages from ISD books, it would seem to accomplish a copyright reform that will benefit rights holders and put new burdens on libraries and their patrons.²⁸⁶ Even state-related institutions (e.g., the University of Michigan) would be required to pay print-out fees for copies made of GBS books. This effectively means that copyright owners would, in this respect, get more compensatory relief from the class action settlement than they could from winning copyright lawsuits against these institutions.²⁸⁷ In addition, approval of the GBS settlement might improve the chances of success for a publisher lawsuit challenging researcher photocopying as infringement.²⁸⁸

G. A Broader Exception to Copyright Rules for Print-Disabled Persons

Among the most fervent supporters of the proposed GBS settlement is a coalition of organizations that claim to represent the estimated 30 million persons who suffer from print disabilities.²⁸⁹ Fewer than 1 million books are presently available in a form that is accessible to print-disabled persons.²⁹⁰ Approval of the GBS settlement will, they assert, dramatically increase the accessibility of books, perhaps to as many twenty million

²⁸³ CCC would have been willing to license these institutions as well as profit-making firms such as *Texaco*.

²⁸⁴ 17 U.S.C. § 108(d). For a discussion of this provision, *see, e.g.*, Gasaway, *supra* note xx, at 143-44. Libraries generally pay institutional subscription rates for journals that are higher than the rates that individual subscribers pay. Section 108(e) also allows libraries to reproduce an entire work (or a substantial part) if copies are unavailable for a reasonable price from trade sources or used book vendors as long as the copy is made for purposes of private study. *See* 17 U.S.C. § 108(e); Gasaway, *supra* note xx, at 145-46.

²⁸⁵ *See, e.g.*, Ann Bartow, *Educational Fair Use in Copyright: Reclaiming the Right to Photocopy Freely*, 60 U. PITT. L. REV. 149 (1998).

²⁸⁶ *See, e.g.*, Academic Author Objection, *supra* note xx, at 7 (objecting to print-out fees as undermining fair use rights).

²⁸⁷ *See supra* notes xx and accompanying text (discussing the Eleventh Amendment limitation on monetary damage awards against state-related institutions, such as universities).

²⁸⁸ Because the GBS settlement establishes a new market for libraries to pay for copying from in-copyright books, publishers might argue that print-out fees more generally are a new market that should be reserved to them under *Texaco*.

²⁸⁹ *See* Comments of Disability Organizations of or For Print-Disabled Persons in Support of the Proposed Settlement, *Authors Guild, Inc. v. Google, Inc.*, Case No. 05 CV 8136 (S.D.N.Y. Sept. 8, 2009), available at <http://thepublicindex.org/docs/letters/NFB.pdf> (“Disability Comments”). Marc Maurer, the President of the NFB spoke in favor of the settlement at the fairness hearing. *See* Fairness Hearing Transcript, *supra* note xx, at 14-17.

²⁹⁰ *Id.* at 16.

volumes.²⁹¹ Enhanced access to books would enable these persons to become better educated and more productive members of society.²⁹²

For all books whose contents Google has display rights, the settlement provides that Google “may provide the Display Uses in a manner that accommodates users with Print Disabilities so that such users have a substantially similar user experience as users without Print Disabilities.”²⁹³ This apparently includes all books in the ISD, all books available for consumer purchases, and all books for which Google can make preview and snippet uses in response to search queries.²⁹⁴ The settlement reflects Google’s intent to offer a service for GBS display books that will enlarge the texts, provide voice renderings, or refreshable Braille displays to accommodate print-disabled persons.²⁹⁵

If Google does not implement this service within five years after approval of the settlement, it must allow fully participating libraries to make arrangements with a third-party provider so that the print-disabled community’s access to GBS books is enabled.²⁹⁶

It is appropriate to think of this aspect of the settlement agreement as copyright reform because although U.S. copyright law presently provides that authorized entities can make and distribute copies of previously published literary works in specialized formats for use by blind and other disabled persons,²⁹⁷ it is more limited in scope than advocates for the print-disabled think it should be, and relatively few books have been made available under its auspices.²⁹⁸ Approval of the GBS settlement might also contribute in a positive way to the prospects for an international treaty to improve access to books for sight-impaired persons.²⁹⁹

H. Safe Harbors and Releases from Liability

The GBS settlement agreement contains safe harbors for some activities which, in the absence of this agreement, would be infringing. For example, if Google makes a good faith determination that a particular book is in the public domain, it cannot be held liable for damages for any of its uses of the book or for providing downloadable copies of it to others.³⁰⁰ A similar limit on liability exists if Google mistakenly classified a book as

²⁹¹ Disability Comments, *supra* note xx, at 1.

²⁹² *Id.* at 11.

²⁹³ ASA, § 3.3(d).

²⁹⁴ Disability Comments, *supra* note xx, at 9.

²⁹⁵ Google’s intent to provide this service is set forth in ASA, § 7.2(g)(ii).

²⁹⁶ *Id.* The alternate provider must enter into agreements with Google and the BRR before providing this service. *Id.*, § 7.2(g)(ii)((2)(b).

²⁹⁷ 17 U.S.C. § 121.

²⁹⁸ Disability Comments, *supra* note xx, at 6-8.

²⁹⁹ See, e.g., WIPO and U.S. Copyright Office Course Address Access to Copyright-Protected Works by Visually Impaired Persons, March 16, 2010, available at http://www.wipo.int/pressroom/en/articles/2010/article_0005.html.

³⁰⁰ ASA, § 3.2(d)(v)(3).

commercially unavailable and hence subject to Google's display use commercializations.³⁰¹

Article X of the GBS settlement also provides a very broad set of releases from liability for all claims that the plaintiff rights holders could have asserted against Google in this lawsuit,³⁰² including not only all claims of copyright infringement, but also claims of trademark or moral rights violations arising from its digitization of books, providing the GBS service, delivering LDCs to libraries, and other GBS matters prior to the effective date of the settlement.³⁰³ The releases from liability extend to all acts authorized by the amended settlement agreement.³⁰⁴

Safe harbors and immunity from liability for copyright infringement are generally only available through legislative action.³⁰⁵ In 1998, for instance, Congress enacted four safe harbors for Internet service providers (ISPs): (1) for copies made in the course of transmission of content from one user to another, (2) for system cache copies made by ISPs to facilitate user access to content, (3) for copies of content stored by users on an ISPs' servers, and (4) for information locating tools (e.g., search engine) that inadvertently link to infringing content.³⁰⁶

Congress made the availability of these safe harbors contingent on some responsible actions by the ISPs (e.g., requiring them to designate an agent to whom complaints of infringement could be directed and to take down infringing content after being given notice about it).³⁰⁷ The grant of broad safe harbors from copyright infringement would thus seem to be another prerogative of Congress. Because the settlement would achieve much the same result as if the legislature had acted, it resembles copyright reform.

I. Avoiding Federal Courts, Statutory Damages, and the Risk of Injunctive Relief

³⁰¹ *Id.*, § 3.2 (d)(ii)-(iii) (providing that the sole remedy for mistaken determinations is Google's prompt correction of the designation).

³⁰² *Id.*, § 10.2(a) (grant of release). Libraries are among the other releasees under this article of the GBS agreement.

³⁰³ *Id.*

³⁰⁴ *Id.*, § 10.1(f). Neither the Authors Guild nor the McGraw Hill complaint against Google raised trademark or moral rights claims pertaining to GBS. Nothing Google has done thus far with GBS would seem to implicate either type of law. These extra-copyright releases may, however, be needed after the effective date of the settlement. Google might, for example, start selling author, book name, or snippets of texts from books as ad words, which might implicate trademark law. The settlement gives Google the right to alter the texts of books, which might implicate moral rights laws. It should be noted that literary works do not enjoy moral rights protection from U.S. copyright law, so it may be that state law claims would be released. The Guthrie Objection raised concerns about the releases granted for trademark infringement. Guthrie Objection, *supra* note xx, at xx.

³⁰⁵ The Supreme Court arguably created a safe harbor from copyright liability for developers of technologies with substantial non-infringing uses in *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). However, it borrowed this safe harbor from a contributory infringement standard from the patent statute, which addressed a very similar issue. *Id.* at 440-41.

³⁰⁶ 17 U.S.C. § 512.

³⁰⁷ *Id.*, §§ 512(c)(2), 512(i).

The GBS settlement provides a comprehensive compulsory arbitration regime to resolve GBS-related disputes between or among Google, rights holders, claimants, the BRR, and/or participating libraries pertaining to settlement books.³⁰⁸ Among the disputes covered by the arbitration regime are those over mistaken ownership determinations, failure to pay compensation to BRR for some exploitations of books, discounts that should not have been granted, erroneous inclusion of a book in the ISD, and breaches in the strict security requirements set forth in the agreement.³⁰⁹

Security is obviously important to rights holders because if hackers managed to break into GBS servers and obtain copies of books from the corpus, these copies could be distributed via the Internet without compensation to copyright owners. The security requirement provisions of the GBS agreement are among its most detailed.³¹⁰ Monetary damages for breaches of security provisions are limited to actual damages and are the sole remedy available for such breaches.³¹¹ Even reckless, willful, or intentional misconduct leading to unauthorized access to in-copyright books is subject only to arbitration and approximate actual damages.³¹²

Injunctive relief for any activities arising from the GBS settlement may only be sought in federal court if a party to the settlement has repeatedly, willfully, or intentionally not complied with its obligations under the agreement.³¹³

While parties to particular contracts can and often do provide that disputes will be arbitrated rather than litigated, the arbitration provisions of the GBS settlement set forth a sweeping and comprehensive legal dispute process that resembles a legislatively established dispute resolution scheme.³¹⁴

J. The Privatization of a Database on Books and Their Copyrights

³⁰⁸ ASA, § 9.1. Indeed, the overwhelming majority of disputes arising under the GBS settlement (e.g., among rival claimants for the same book or between libraries and the BRR) will be subject to mandatory arbitration. *Id.* The only express exclusion is for disputes between registered rights holders and claimants for the same book; the amended settlement allows the parties to decide to take this matter to court.

³⁰⁹ *Id.*, § 9.1(e). Guild proponents of the GBS settlement believe that the arbitration procedures will benefit authors. Authors often face difficulties when trying to assert or enforce their rights because the costs of litigation may exceed by a substantial margin the amount that can be recovered. A compulsory arbitration procedure will reduce the costs of enforcing rights. Conversation with Jan Constantine, *supra* note xx. However, some authors groups perceive the compulsory arbitration procedures of the GBS settlement as a negative. See, e.g., Objections of Science Fiction & Fantasy Writers of Am., Inc., et al, to the Amended Settlement Agreement 16-18, Authors Guild v. Google, Inc., *available at* http://thepublicindex.org/docs/amended_settlement/SFWA_ASJA_Objection.pdf.

³¹⁰ ASA, Part VIII. Google, participating libraries, and host sites for the GBS nonconsumptive research corpus must formulate and comply with security implementation plans that must be updated periodically. *Id.*, § 8.2.

³¹¹ *Id.*, § 8.3(g). Inconsequential breaches will result in no liability. *Id.*, § 8.4(a).

³¹² *Id.*, § 8.5(b). Even so, damage awards are capped at what would be available per work as a statutory damage award and Google's total liability would be capped at \$50 million for willful or intentional misconduct.

³¹³ *Id.*, § 9.11.

³¹⁴ Legislatures sometimes adopt compulsory arbitration regimes for resolving certain types of legal disputes. See, e.g., Josephine Y. King, *Arbitration in Philadelphia and Rochester*, 58 ABA J. 712 (1972).

The settlement commits Google to develop a searchable online database about books in GBS; it will include, among other things, data about the copyright status, commercial availability (or not), and ownership rights of the books.³¹⁵ This database will be accessible by members of the settlement class via the Internet and will identify books with a copyright date after 1922 that Google has digitized or reasonably anticipates it might digitize under the settlement.³¹⁶ This database will be updated as Google acquires more information about books, their copyright status, and their owners.³¹⁷

While the settlement does not directly call for creation of a database to track the revenues that Google is earning from various commercial uses of GBS books, it is obvious that this is an essential part of the GBS regime if the settlement is approved. After all, the settlement requires Google to make payments to BRR for uses of in-copyright books,³¹⁸ and this can only be done through an elaborate database that keeps track of which books Google is selling, for what price, and what uses are being made of ISD books.

Google has also created an online database of Copyright Office renewal records which should help rights holders and potential reusers of particular books determine the copyright status of books published between 1923 and 1963.³¹⁹

The metadata that Google will be gathering about books could turn out to be a very valuable resource in its own right.³²⁰ The more complete the metadata collection is, the more likely it is that the Google database(s) on books will be a more useful resource than the Copyright Office for such information. However, the Google database(s) about books is unlikely to be accessible to the public.

The Copyright Office could undertake an ambitious project to develop a similar and more publicly accessible database about books. But this would require a Congressional allocation of resources to enable this development to take place. There is at present little reason to think that Congress will make such an allocation. Google is thus privatizing an information resource about books in copyright that a public agency has been unable to create.

III. Should The GBS Settlement Be Approved?

³¹⁵ *Id.*, § 3.11(b)(ii).

³¹⁶ *Id.* A second purpose of this database is to enable members of the class to determine whether they are entitled to compensation for Google's scanning of their books for GBS on or before May 5, 2009. *Id.*

³¹⁷ Some objectors complained of errors in the online books database. *See, e.g.*, Objection of Diana Kimpton to the Amended Settlement Agreement 5-7, *Authors Guild v. Google, Inc.*, (S.D.N.Y. Jan. 27, 2010), available at http://thepublicindex.org/docs/amended_settlement/kimpton.pdf.

³¹⁸ ASA, § 4.6.

³¹⁹ *See, e.g.*, Jon Orwant, *U.S. Copyright Renewal Records Available for Download*, June 23, 2008, <http://booksearch.blogspot.com/2008/06/us-copyright-renewal-records-available.html>.

³²⁰ *See, e.g.*, Kenneth Kukier, *META: The Rise and Governance of Information about Information*, Report of Global Leaders Conferences in Information Policy (2010) (discussing the importance of metadata).

Having shown that the GBS settlement would, if approved, achieve results akin to legislative reforms of copyright law, the question arises whether this is merely an interesting side-effect of the agreement, or a reason that is relevant to whether the settlement should be approved or disapproved.³²¹ This Part makes two main points: first, courts should engage in heightened scrutiny of the certifiability of a settlement class when the settlement would, in effect, achieve legislative outcomes, and second, that courts should engage in heightened scrutiny about the fairness of a settlement when the settlement's legislative dimensions go beyond the issues in litigation in the case.

Google's lawyers did not make the argument in open court that the settlement should be approved because it would achieve copyright reform.³²² The principal issue before the court at the six-hour hearing in February 2010 was whether the GBS settlement is "fair, reasonable, and adequate" to the class on whose behalf the settling parties claim it was negotiated.³²³ The settling parties consequently argued that the GBS agreement was fair to the class.³²⁴ However, several non-party supporters of the GBS settlement argued in favor of the settlement because they thought it would benefit members of the public, rather than because the settlement was fair to members of the class.³²⁵

The chief beneficiaries of the settlement will be members of the class who own copyrights in out-of-print books that are currently not generating any revenues for their owners.³²⁶ The settlement will allow Google to create new markets for these books and a substantial portion of the revenues from these books will be shared with their owners.³²⁷ The settlement will create a registry to handle the collection and disbursement of funds to rights holders.³²⁸ Even if it might not be optimal in every respect, the settling parties argued that the settlement was fair because it offers compromises on a number of difficult

³²¹ This Part expands upon points first made in Pamela Samuelson, *Is the Google Book Settlement an Abuse of Class Actions?*, THE NATION (Nov. 23, 2009).

³²² Google's chief legal officer, David Drummond, did, however, suggest that the settlement provided a framework for a legislative approach to reuse of orphan works in his testimony about the settlement before a Congressional Committee. Drummond Testimony, *supra* note xx, at 7.

³²³ Federal Rules of Civil Procedure, Rule 23(e) (setting forth this standard).

³²⁴ See Fairness Hearing Transcript, *supra* note xx, at 131-43 (Boni on behalf of the Author Subclass), 143-58 (Durie on behalf of Google), and 158-65 (Keller on behalf of the Publisher Subclass). Much of the oral argument focused on class action and antitrust issues, rather than on the benefits of the settlement to members of the class.

³²⁵ See, e.g., at *id.* 5-9 (pointing to benefits for poor minorities), at 14-17 (emphasizing improved access to books for print-disabled persons), and 17-20 (discussing preservation of the contents of books and improved library access to books for patrons). If Google fails to provide public library or print-disabled access, however, this would not constitute a breach of the settlement agreement, because public libraries and advocates for print-disabled persons are not third-party beneficiaries of the agreement.

³²⁶ All class members had the opportunity to opt out if they did not wish to be bound by the settlement. More than 6500 rights holders did so. See, e.g., Alison Flood, *Thousands of Authors Opt Out of the Google Book Settlement*, THE GUARDIAN, Feb. 23, 2010, <http://www.guardian.co.uk/books/2010/feb/23/authors-opt-out-google-book-settlement>.

³²⁷ Fairness Hearing Transcript, *supra* note xx, at 147. Google's lawyer pointed out that class members who did not want Google to commercialize their books need only inform Google to stop. *Id.* at 152. The impact of the GBS settlement on rights holders of in-print books was not mentioned by the settling parties, although Google's lawyer made a general statement that the settlement would not harm the economic interests of any class member. *Id.* at 144.

³²⁸ *Id.* at 139.

issues and ensures that rights holders will be able to exercise reasonable control over Google's uses of their works.³²⁹

The fairness of the settlement was, however, challenged by hundreds of authors and publishers who objected to the GBS settlement on myriad grounds, as well as by the governments of France, Germany, and the United States of America who outright opposed it.³³⁰ A full assessment of the merits of these objections is beyond the scope of this article, but their sheer volume and range does raise questions about how fair the settlement actually is.³³¹

Yet, even if we assume for the sake of argument that the compromises embodied in the GBS settlement might in some general sense be fair and reasonable, does such fairness satisfy the requirements for approval of class action settlements as set forth in Rule 23(e) of the Federal Rules of Civil Procedure?

A. Heightened Scrutiny of Settlement Classes For Quasi-Legislative Settlements

The Supreme Court's decision in *Amchem Products, Inc. v. Windsor* suggests not.³³² *Amchem* involved a class action settlement that would have established a compensation tribunal to resolve present and future claims for injuries caused by asbestos exposure. The Court recognized that the proposed settlement in *Amchem* was a meaningful response to a real crisis; tens of thousands of lawsuits had been filed, seeking damages for such injuries, and many thousands more would be brought in coming years.³³³ The transaction costs of litigating these cases often exceeded the amounts that could be recovered, and recoveries for similar injuries were sometimes inconsistent.³³⁴

The Court pointed to a prominent report had recommended federal legislation to create a dispute resolution scheme to serve as a global response to the asbestos litigation crisis and noted that “[t]he argument is sensibly made that a nationwide administrative claims processing regime would provide the most secure, fair, and efficient means of compensating victims of asbestos exposure.”³³⁵ However, “Congress...has not adopted such a solution.”³³⁶ It is, of course, a quintessentially legislative function to identify a crisis like the asbestos litigations and formulate an administrative means to address the

³²⁹ *Id.* at 163-64.

³³⁰ *See, e.g.*, DOJ SOI II, *supra* note xx, at 27; French Objection, *supra* note xx. A minister from Germany appeared at the fairness hearing to present Germany's reasons for opposing the settlement. Fairness Hearing Transcript, *supra* note xx, at 69-73.

³³¹ *See, e.g.*, New York Law School, *The Public-Interest Book Search Initiative, Objections and Responses to the Google Book Settlement: A Report*, Version 2.0 (May 2010) (identifying 76 distinct issues in 11 categories of objections filed in the *GBS* matter).

³³² 521 U.S. 591 (1997).

³³³ In *Ortiz v. Fibreboard Corp.*, 527 U.S. 821 (1999), Justice Breyer noted that 80,000 new federal asbestos-related lawsuits had been filed in the previous decade. Many more lawsuits were expected because somewhere between 13 and 21 million workers had been occupationally exposed to asbestos. Report of the Judicial Conference Ad Hoc Committee on Asbestos Litigation 6-7 (1991).

³³⁴ *Amchem*, 510 U.S. at 597-98, 631-32.

³³⁵ *Id.* at 598 (citing the Ad Hoc Report, *supra* note xx).

³³⁶ *Amchem*, 510 U.S. at 598.

crisis. It is, however, a bold move to say that because a crisis exists and the legislature has not acted, a class action settlement can be used to accomplish the same objective.

The Court in *Amchem* recognized that some courts had in the past been willing to approve “reasonable” settlements without the usual rigorous examination of the certifiability of the class.³³⁷ However, the Court was not persuaded this practice comported with Rule 23. It pointed to the non-adoption of a proposed amendment to Rule 23 that would have relaxed the standard for certifying settlement classes, which had been heavily criticized.³³⁸ The Court concluded from the non-adoption that federal courts “lack authority to substitute for Rule 23’s certification criteria a standard never adopted—that if a settlement is ‘fair,’ then certification is proper.”³³⁹ The Court went on to indicate that “[t]he benefits asbestos exposed persons might gain from the establishment of a grand-scale compensation schedule is a matter fit for legislative consideration, but it is not pertinent to the [Rule 23] inquiry.”³⁴⁰

The Court’s concern about the quasi-legislative nature of the proposed settlement seems to have contributed to its decision to engage in heightened scrutiny about whether the settlement class was certifiable. The need for “undiluted, heightened attention in the settlement context” was important because “the court will lack the opportunity, present when a case is litigated, to adjust the class, informed by the proceedings as they unfold.”³⁴¹ Other reasons for close scrutiny of settlement class certifications include the risk that a settlement may be the product of collusion among the settling parties,³⁴² or that the settling parties might have succumbed to the temptation to reach agree on terms that would abridge substantive rights of absent class members in contravention to the Rules Enabling Act.³⁴³

Rule 23(a) of the Federal Rules of Civil Procedure set forth four criteria for certification of a class action: (1) the class is so numerous that joinder of all members is impracticable; (2) there are questions of law or fact common to the class; (3) the claims or defenses of the representative parties are typical of the claims or defenses of the class; and (4) the representative parties will fairly and adequately protect the interests of the

³³⁷ *Id.* at 618-19 (citing cases).

³³⁸ *Id.* at 619. The proposal would have allowed class certification for settlement purposes “even though the requirements of Rule 23(b)(3) might not be met for purposes of trial.” *Id.* Professor Issacharoff has criticized the *Amchem* decision for relying on the non-adoption of this proposal, which he believes would have posed serious due process problems. Issacharoff, *supra* note xx, at 340-41.

³³⁹ *Amchem*, 510 U.S. at 622.

³⁴⁰ *Id.* at 622-23.

³⁴¹ *Id.* at 620. As Professor Issacharoff has observed: “Any settlement class that does not emerge from an adversarial posture in which there is at least a threat of going to trial must, by definition, arise from the agreement of the parties. Taken one step further, a class that cannot be formed for litigation purposes and exists only as a settlement vehicle exists by the good graces of the defendant—almost the very definition of non-adversarial relations.” Issacharoff, *supra* note xx, at 348.

³⁴² See, e.g., Susan P. Koniak & George M. Cohen, *Under the Cloak of Settlement*, 82 Va. L. Rev. 1051 (1996)

³⁴³ Rules Enabling Act, 28 U.S.C. 2072(b) (providing that the Federal Rules of Civil Procedure “shall not abridge, enlarge or modify any substantive right”), invoked in *Amchem*, 510 U.S. at 620.

class.³⁴⁴ When, as in *Amchem* and *GBS*, plaintiffs are seeking an award of money damages that would be aggregated for class members, Rule 23(b)(3) sets forth two additional requirements: (1) common questions must predominate over uncommon ones, and (2) the class action must be superior to other methods of adjudicating the controversy.³⁴⁵ In Rule 23(b)(3) actions, class members must also be given notice of and an opportunity to opt out of the litigation or any settlement of it.³⁴⁶

In *Amchem*, the numerosity requirement was seemingly met, but the Court shared the Third Circuit's doubts about the commonality, typicality, and adequacy of representation requirements.³⁴⁷ Common questions, moreover, did not predominate.³⁴⁸

The Court noted that the *Amchem* settlement class not only included hundreds of thousands of people, perhaps millions, but was also “sprawling” and “amorphous.”³⁴⁹ Class members had experienced different levels of exposure for different periods of time; they also suffered from different diseases; applicable state laws varied as well. Class member interests were consequently “enormously diverse and problematic.”³⁵⁰

The most glaring divergence, though, was between class members who already manifested illnesses and those who had yet to become ill. The former would logically favor substantial payouts as soon as possible and the latter would naturally be concerned about whether ample funds would be available for future claimants.³⁵¹ The settlement identified nine class representatives, roughly half of whom were not yet ill. Despite this, the Court found “no reassurance here—either in the terms of the settlement or in the structure of the negotiations—that the named plaintiffs operated under a proper

³⁴⁴ Federal Rules of Civil Procedure, Rule 23(a). The Supreme Court has granted certiorari in another large class action case, *Wal-Mart Stores, Inc. v. Dukes*, Docket No. 10-277 (Dec. 6, 2010), to consider whether a lower court's certification of a class of female employees who claim that Wal-Mart stores have engaged in a pattern and practice of discriminating against women in pay and promotion to management positions is consistent with Rule 23(a). The Ninth Circuit affirmed class certification in *Dukes v. Wal-Mart Stores, Inc.*, 603 F.3d 571 (9th Cir. 2010) by a 6-5 en banc panel. For critical commentary on the Ninth Circuit's ruling, see, e.g., Richard A. Nagareda, *Common Answers for Class Certification*, 63 VAND. L. REV. EN BANC 149, 160-61 (2010) (arguing that the Ninth Circuit had wrongly considered the merits of the underlying lawsuit in ruling on the certification of the class).

³⁴⁵ Federal Rules of Civil Procedure, Rule 23(b)(3).

³⁴⁶ *Id.*, Rule 23(c)(2), (e)(1), (e)(4).

³⁴⁷ *Amchem*, 521 U.S. at 622-28.

³⁴⁸ *Id.* The superiority criterion may also have been questionable in *Amchem* given that the complaint and the settlement were in *Amchem* filed at the same time and there was never any question that litigation would occur.

³⁴⁹ *Id.* at 622. The settlement class approved in the *Dukes* case includes at least 1.5 million women, and perhaps as many as 3 million. The Ninth Circuit dissenters pointed to the size of the class as a concern, as did some amici who supported Wal-Mart's cert. petition. See, e.g., Alexandra D. Lahav, *The Curse of Bigness and the Optimal Size of Class Actions*, 63 VAND. L. REV. EN BANC 117, 118 (2010). Lahav argues that “[t]he relevant inquiry is whether the class is too heterogeneous to support collective treatment, regardless of the number of plaintiffs the class encompasses.” *Id.* at 119. She points out that firms should not get “a get-out-of-class-certification-free card” just because the size of the class creates the potential for a very large damage award that would put pressure on defendants to settle.

³⁵⁰ *Amchem*, 510 U.S. at 622, n. 17.

³⁵¹ *Id.* at 626-27.

understanding of their representational responsibilities.”³⁵² The Court concluded that there was insufficient unity of interests within the settlement class for certification to be proper under Rule 23.³⁵³

Although the Court in *Amchem* did not disapprove this settlement because of inadequacy of notice to the class, it did express doubts that “class action notice sufficient under the Constitution and Rule 23 could ever be given to legions so unselfconscious and amorphous.”³⁵⁴ One source of the notice problem in *Amchem* was that many people would be unaware they were members of the class until years after the settlement was approved because some asbestos-related illnesses become manifest only after long latency periods. These class members “may not have the information or foresight needed to decide intelligently whether to stay in [the class] or opt out.”³⁵⁵ It thus seemed unlikely any notice program would effectively reach them.

B. Divergence of Interests Within the GBS Settlement Class

The parallels between the *Amchem* and GBS settlements are far from exact, but are nonetheless significant. Under the original settlement, the GBS class consisted of all persons who owned a U.S. copyright interest in one or more books.³⁵⁶ Because of U.S. treaty obligations, that class would have encompassed substantially all book copyright owners in the world.³⁵⁷ Although the amended settlement class is more narrowly defined,³⁵⁸ it may still include tens of millions of rights holders.³⁵⁹ The GBS class would seem to be larger than the proposed settlement class in *Amchem*, and as in

³⁵² *Id.* at 627.

³⁵³ *Id.* at 621. The Court observed that the standards set forth in Rule 23 “for the protection of absent class members serve to inhibit appraisals of the chancellor’s foot kind—class certifications dependent upon the Court’s gestalt judgment or overarching impression of the settlement’s fairness.” *Id.*

³⁵⁴ *Id.* at 628.

³⁵⁵ *Id.* at 628.

³⁵⁶ SA, §§ 1.14 & 1.120, Att. H, ¶ 7.

³⁵⁷ *See, e.g.,* RICKETSON & GINSBURG, *supra* note xx, § 6.89.

³⁵⁸ *See infra* notes xx and accompanying text for further discussion of the amended settlement class.

³⁵⁹ The most recent Google estimate of the number of books in the world is in excess of 129 million volumes; Google seems to want to digitize all of them. *See* Blogpost of Leonid Taycher, inside-google-book-search@googlegroups.com, although at the fairness hearing, Google’s lawyer estimated that there were 174 million unique books in the world. Fairness Hearing Transcript, *supra* note xx, at 154. Some of these books are, of course, in the public domain. Google has estimated that 15-20% of the books it has scanned so far from libraries are in the public domain; if that percentage holds for the 129 or 174 million unique books, that would mean that well over 100 million books are in-copyright. Some substantial proportion of these books are outside of the settlement for one reason or another (e.g., the rights holders opted out of the class, U.S. books having having been registered with the Copyright Office, books published in foreign countries). If half of the in-copyright books are within the settlement, that would mean that somewhere between 50 and 70 million books are affected. Of course, some copyright owners have rights in more than one book, but this may be counterbalanced by the fact that many books are authored by more than one person. Moreover, Att. A recognizes that both authors and publishers have a compensable interest in out-of-print books. In view of this, it does not seem unreasonable to guess that the settlement class could be in the tens of millions. Another factor that swells the size of the settlement class is the large number of heirs who own rights in book copyrights or will own them in the future. Many of these people do not currently know they are or will become in the future members of the settlement class. Thus, the future claimant problem that bedeviled *Amchem* is present in the *Authors Guild* case as well.

Amchem, there is considerable diversity and potentially serious conflicts of interests among the GBS settlement class members, as is evident from the hundreds of objections lodged against the settlement.³⁶⁰

Among these divergent interests are those of academic authors—who vastly outnumber the Authors Guild’s membership—and those of Guild members in respect of their out-of-print books.³⁶¹ Academic authors, unlike Guild members, are likely to want their out-of-print books to be available on an open access basis, rather than to set profit-maximizing prices for them; they would favor modest pricing for the ISD.³⁶² Academic authors are also more likely than Guild members to think that scanning books for the purpose of indexing the contents of the books and making snippets available should be considered a fair use.³⁶³ Since many, perhaps even most, of the books in major research library collections Google has been scanning were written by scholars for scholarly audiences, the interests of academic authors were not well represented by the Guild’s negotiators. These divergences raise serious questions about whether the commonality, typicality and adequacy of representation requirements can be satisfied for the Author Subclass in the *Authors Guild* case.

A second divergence of interests within the GBS settlement class pertains to contractual matters. Each author and publisher whose in-copyright books are within the GBS settlement has a particular contract that allocates copyright interests. Publishing contracts contain varying terms and, as noted earlier, may be ambiguous about the allocation of e-book rights.³⁶⁴ Each contract, moreover, is governed by state law, and state contract interpretation rules often differ.³⁶⁵ Attachment A of the GBS settlement is tantamount to a class action settlement of the e-book rights dispute between authors and publishers, even though had the Guild brought a class action lawsuit on behalf of a class of authors against a class of publishers to resolve the e-book dispute, it is doubtful that the author and publisher classes could have been certified owing to vagaries in contract language and state law.³⁶⁶ Uncommon questions may thus, as in *Amchem*, predominate over common ones, calling into question the certifiability of the Author and Publisher Subclasses under Rule 23(a) and (b)(3).

³⁶⁰ Many of these objections were filed on behalf of multiple rights holders. See, e.g., Objection to Class Action Settlement on Behalf of Class Members Harold Bloom, et al., *Authors Guild v. Google, Inc.*, Case No. 05 CV 8136 (DC) (S.D.N.Y. Sept. 8, 2009), available at <http://thepublicindex.org/docs/objections/bloom.pdf>.

³⁶¹ The Guild has about 8500 members, which is far fewer than the number of full-time academics whose responsibilities typically include writing books and inserts. See BUREAU OF LABOR STATISTICS, U.S. DEPT. OF LABOR, OCCUPATIONAL OUTLOOK HANDBOOK (2010-11 ed. 2009), <http://www.bls.gov/oco/ocos066.htm> (estimating post-secondary teaching positions in 2008 at 1.7 million).

³⁶² Academic Author Objection, *supra* note xx, at 3-5. Academic authors would generally want to be free to annotate books and share annotations with colleagues; the Guild supported restrictions on both activities in the GBS settlement. *Id.* at 6.

³⁶³ *Id.* at 2-3.

³⁶⁴ See *supra* notes xx and accompanying text.

³⁶⁵ See, e.g., *Rosetta Books*, 283 F.3d at 491-92 (noting differences in state law interpretations of contracts).

³⁶⁶ Supplemental Academic Author Objection, *supra* note xx, at 4, n.15.

A third notable divergence within the GBS settlement class pertains to the interests of rights holders who are readily findable and those who own rights in orphan books. The original settlement would have provided a windfall to rights holders who registered with BRR because revenues from others' works would have been paid out to them if the works were not claimed within five years.³⁶⁷ DOJ perceived this windfall to present a conflict of interest between registered and unregistered rights holders because the former would be less likely to search hard for the latter if the funds owed to the unregistered rights holders would be paid out to the registrants.³⁶⁸ The amended settlement now calls for the appointment of an "unclaimed works fiduciary" (UWF),³⁶⁹ but it is questionable whether this will be an effective device to provide adequate protection to the interests of unclaimed book rights holders, as it is virtually impossible to know what orphan rights holders would want.³⁷⁰ It is, moreover, impossible to give adequate notice to orphan rights holders. This divergence poses difficulties for satisfying the typicality and adequacy of representation criteria for class certification under Rule 23(a).

A fourth divergence pertains to owners of copyrights in books and owners of rights in so-called "inserts" (such as chapters in an edited volume or multiple-authored short stories in an edited collection).³⁷¹ Book owners will receive a substantial share in whatever revenues GBS generates from Google's commercializations of the books, but revenues to insert authors are capped at \$500 total, even though these works may be licensed regularly for more than this.³⁷² Some authors of inserts have complained that their interests were not adequately represented in the settlement negotiations, and at the very least, a subclass should have been created to represent insert rights holders.³⁷³ This divergence in interest calls into question the adequacy of representation criterion for certification of the Author and Publisher Subclasses.

³⁶⁷ SA, § 6.3, Att. C, §§ 1.1(e), 2.3.

³⁶⁸ DOJ SOI, *supra* note xx, at 9.

³⁶⁹ The GBS settlement contains no meaningful guarantees of independence for the so-called "unclaimed work fiduciary" (UWF) and insufficient criteria for how he/she should perform a fiduciary role in respect of the unclaimed books. The UWF is, for example, to be chosen by a supermajority of the BRR Board. ASA, § 6.2(b)(iii). It will apparently be housed in the BRR offices. The BRR, not the fiduciary, will hold onto the unclaimed funds; after five years, BRR is authorized to use a significant portion of the unclaimed work funds to search for rights holders, although this is subject to the UWF's approval. *Id.*, § 6.3(a)(i).

³⁷⁰ The settlement grants the UWF a set of powers that are in some respects too limited and in at least one respect too broad. The UWF can, for instance, choose to change the default setting for an unclaimed in-print book from "no display" to "display," but not the reverse. The UWF would have structural incentives to exercise the power to switch the default for unclaimed in-print books from "no display" to "display uses" in order to generate revenues that could be used to search for their rights holders to encourage them to claim the books. *Id.*, § 4.2(c)(i). The UWF has the power to approve changes in pricing bins for unclaimed books available through the consumer purchase model. *Id.*, §§ 6.2(b)(iii), 3.2(e)(i). However, the UWF seemingly no power to set prices for individual unclaimed books nor to provide input about price-setting of institutional subscriptions. This seems strange because all or virtually all of the unclaimed books will be in the ISD and revenues derived from the ISD are likely to be substantial. The UWF also has the power to disapprove of Google's plan to discount prices of unclaimed books, but apparently not to recommend discounts. *Id.*, § 4.5(b)(ii). There may be little incentive for the UWF to agree to discounts as it would reduce the revenues over which he will have some control; BRR may also not want unclaimed works to be discounted, as these books will compete with those of registered rights holders.

³⁷¹ *Id.*, § 1.75 (defining inserts).

³⁷² Guthrie Objection, *supra* note xx, at 4-5 (citing to ASA, Att. C, § 1.2 (a), (b), (h)).

³⁷³ *Id.*

A fifth divergence in interests within the class may be between U.S. and foreign rights holders. The scope of the original GBS settlement agreement was breathtakingly huge; virtually all owners of copyrights in books throughout the world would have been bound by the agreement unless they opted out of it in time. Hundreds of foreign rights holders objected to this exceptionally broad definition of the class.³⁷⁴ In seeming response to these concerns, the amended settlement narrows the class of rights holders to which it pertains to those who hold rights in books first published in Australia, Canada, and the UK, plus those whose copyrights have been registered with the U.S. Copyright Office.³⁷⁵ Yet, the settlement still affects a very substantial number of foreign rights holders in part because many foreign books have been registered with the Copyright Office,³⁷⁶ and in part because the simultaneous publication of a book in, say, the Netherlands, Germany, and the UK, will result in its being treated as a work first published in the UK.³⁷⁷ Indeed, it appears that a Dutch book may be regarded as within the settlement as long as the title page indicates that the publisher has offices in London as well as Amsterdam and Berlin.

Objections to the settlement from foreign rights holders raised questions about the commonality, typicality, and adequacy of representation requirements of Rule 23(a) have been met in the *Authors Guild* case.³⁷⁸ In particular, many foreign rights holders assert that the inclusion of their books in the settlement violates international law.³⁷⁹ The Rule 23 notice requirements are especially difficult to satisfy as to foreign rights holders.³⁸⁰

It is even unclear whether the publishers who negotiated the settlement adequately represented the interests of other publishers who will be bound by the settlement, if it is approved. All of the publishers who sued Google initially are members of the Google Partner Program (GPP),³⁸¹ under which they can negotiate terms for their books that are different from and likely more favorable than the default terms offered to members of the settlement class. At the very least, the GPP terms will be more favorable than the ASA terms in that GPP partners will not have to pay administrative fees to BRR for processing revenues from Google. The publishers who negotiated the settlement apparently do not intend to subject their books to the settlement terms.³⁸² If these publishers negotiated a

³⁷⁴ See, e.g., Objection of Harrassowitz, et al., *Authors Guild v. Google, Inc.*, Case No. 05 CV 8136 (DC) (S.D.N.Y. Sept. 8, 2009), available at <http://thepublicindex.org/docs/objections/harrassowitz.pdf>.

³⁷⁵ ASA, §§ 1.13 (definition of the “amended settlement class”), 1.19 (definition of “book”).

³⁷⁶ Prior to 1990, foreign rights holders frequently registered copyright claims with the U.S. Copyright Office. See, e.g., Nourry Letter, *supra* note xx, at 5.

³⁷⁷ See, e.g., German Objection II, *supra* note xx.

³⁷⁸ See, e.g., Harrassowitz Objection, *supra* note xx, at 25-30. DOJ has also questioned the adequacy of representation as to foreign rights holders. DOJ SOI II, *supra* note xx, at 13-14.

³⁷⁹ See, e.g., Harrassowitz Objection, *supra* note xx, at 13-25.

³⁸⁰ See, e.g., *id.* at 6-12. The DOJ also questioned whether foreign rights holders have had adequate notice about the proposed GBS settlement. DOJ SOI II, *supra* note xx, at 13-14. Gant has questioned the adequacy of notice even as to domestic rights holders. Objection of Scott Gant to Approval of Proposed Settlement and to Certification of Subclasses at 13-22, *Authors Guild Inc. v. Google Inc.*, No. 1:05-CV-8136 (S.D.N.Y. Aug. 19, 2009), available at <http://thepublicindex.org/docs/objections/gant.pdf>.

³⁸¹ Toobin, *supra* note xx, at 30.

³⁸² The DOJ’s first Statement of Interest regarded as “noteworthy [the fact] that the parties have indicated their belief that the largest publisher plaintiffs are likely to choose to negotiate their own separate

deal that they expected to bind millions of other rights holders, but not themselves, there is reason to worry that their interests and those of other class member are not well-aligned.³⁸³ This too is a reason to question the adequacy of representation in the *Authors Guild* settlement and hence the certifiability of the class.

It is further notable that although Rule 23 directs that class certification should be sought “[a]t an early practicable time after a person sues...as a class representative,”³⁸⁴ the plaintiffs in the *Authors Guild* case did not seek class certification until three years after initiating litigation and then sought a vast expansion in the size of the class for purposes of a settlement on terms that vastly exceeded the scope of the issues in litigation.³⁸⁵

As in *Amchem*, the court reviewing the GBS settlement lacks adequate information to assess the appropriateness of the class definition (and if necessary, to adjust it) because the parties are no longer adverse about the class. The dangers of collusion are, moreover, much greater with the GBS settlement than in *Amchem*, as is apparent from the DOJ’s charge that the GBS settlement may be an anti-competitive agreement to fix prices and facilitate exclusionary conduct.³⁸⁶ The GBS settlement also invites the very judicial inventiveness against which the Court cautioned in *Amchem* insofar as it would grant licenses to Google to commercialize out-of-print books that would modify and abridge rights of the class, thereby contravening the Rules Enabling Act.³⁸⁷

Could a settlement class of authors and publishers have been certified if the settlement was restricted to the issues in litigation, such that Google would pay rights holders \$60 per book and \$15 per insert to release Google from liability for past scanning of books to provide snippets and perhaps to engage in nondisplay uses of the books? Because of divergent perspectives among class members about whether scanning-to-index is fair use or infringement, there is reason to doubt this. The DOJ, however, has suggested that a properly defined class settlement might be certifiable for such a settlement.³⁸⁸

What makes the divergent interests discussed above particularly troublesome is that the settlement goes so far beyond the relatively narrow issue presented in the *Authors Guild* complaint in order to create a comprehensive forward-looking commercial enterprise that

agreements with Google.” DOJ SOI, *supra* note xx, at 10. This provided “serious reasons to doubt that the class representatives who are fully protected from future uncertainties created by the settlement agreement and who will benefit in the future from the works of others can adequately represent the interests of those who are not fully protected and whose rights may be compromised as a result.” *Id.*

³⁸³ In this respect, the GBS settlement resembles that in *Ortiz v. Fibreboard Corp.*, 527 U.S. 815 (1999). In *Ortiz*, the Court rejected a proposed settlement agreement in part because some of the lawyers who negotiated the settlement had also negotiated separate agreements to settle other asbestos cases, full payment on which was predicated on reaching the global settlement before the Court. The Court recognized that this gave them an incentive to settle for less than the optimal amount for the class.

³⁸⁴ Rule 23(c)(1)(A).

³⁸⁵ See *supra* notes xx and accompanying texts regarding the *Authors Guild* complaint class definition and the ASA definition. See also DOJ SOI II, *supra* note xx, at 3.

³⁸⁶ *Id.* at 16-23.

³⁸⁷ 28 U.S.C. § 2072(b). See also *Gant Objection*, *supra* note xx, at 10 (arguing that the GBS settlement should not be approved because it abridges substantive rights).

³⁸⁸ DOJ SOI, *supra* note xx, at 7.

would give Google far more rights to use in-copyright books than if it won the lawsuit, as Part II has shown. This raises the question of whether a class action settlement that achieves legislative outcomes can be deemed “fair, reasonable, and adequate” under Rule 23(e), even assuming the settlement class could be certified.

C. Fairness Considerations When a Class Action Settlement Would Have Legislative Effects

Like the settlement in *Amchem*, the GBS settlement is being touted by its supporters as a fair compromise that should be approved because of the benefits it would bring about. However, *Amchem* teaches that a light review of a class action settlement is not justifiable merely because a class action settlement might bring about socially beneficial results. As the Court observed in *Amchem*, “Rule 23...must be interpreted with fidelity to the Rules Enabling Act and applied with the interests of absent class members in close view.”³⁸⁹ *Amchem* suggests that courts should engage in a searching inquiry of the fairness of the settlement when it is aimed at achieving quasi-legislative outcomes.

Part II has shown that the GBS settlement has legislative character because it would modify substantive rights of members of the settlement class, which Rule 23 arguably forbids. But the GBS settlement is also legislative in character because that it would have significant spillover effects on third parties who did not participate in the settlement negotiations.³⁹⁰

Consider, for example, the fees that members of the public will have to pay for every page they print out from GBS books, even though photocopying the same pages from physical books would likely be non-infringing.³⁹¹ Consider also the close monitoring of book usages called for in the GBS settlement, which are not accompanied by meaningful limits on uses that Google can make of personal data about users’ reading habits.³⁹² Users of GBS books will, moreover, have only limited opportunities to annotate books they purchase from Google or access through the ISD, and even more limited opportunities to share their annotations with others.³⁹³ Approval of the settlement will likely also mean that users will pay higher prices for orphan books than if Congress enacted the open-access approach to these books that the Copyright Office recommended.

³⁸⁹ *Amchem*, 521 U.S. at 629.

³⁹⁰ Some critics of the GBS settlement were public interest organization who expressed concern about how the public would be affected by the settlement. See, e.g., Brief Amicus Curiae of Consumer Watchdog in Opposition to the Settlement, *Authors Guild Inc. v. Google Inc.*, No. 1:05-CV-8136 (S.D.N.Y. Sept. 8, 2009), available at <http://thepublicindex.org/docs/letters/cw.pdf>; Brief of Amicus Curiae Public Knowledge in Opposition to the Settlement, *Authors Guild Inc. v. Google Inc.*, No. 1:05-CV-8136 (S.D.N.Y. Sept. 8, 2009), available at <http://thepublicindex.org/docs/letters/pk.pdf>.

³⁹¹ See *supra* notes xx and accompanying text.

³⁹² See, e.g., Electronic Privacy Information Center, *Google Book Settlement and Privacy*, <http://epic.org/privacy/googlebooks/default.html> (chart of GBS settlement provisions affecting privacy); Privacy Authors and Publishers’ Objections to Proposed Settlement, *Authors Guild Inc. v. Google Inc.*, No. 1:05-CV-8136 (S.D.N.Y. Sept. 4, 2009), available at http://thepublicindex.org/docs/letters/privacy_authors.pdf (objecting to the settlement because of inadequate privacy protections).

³⁹³ ASA, § 3.1(c)(ii)(5).

Other third-party effects of the GBS settlement will be felt by Amazon.com, Barnes & Noble, and other e-book sellers who will be unable to get an equivalent license to make available the same array of out-of-print books as Google.³⁹⁴ The search engines of Microsoft and Yahoo! will also not have access to the GBS corpus to engage in non-display uses of millions of books through which to refine their search algorithms and compete effectively with Google.³⁹⁵

A more subtle, but still troubling, type of third-party effect will be felt by class members who opted out of the GBS settlement. In general, someone who opts out of a class action settlement will be in the same position they were in before. Authors and publishers who opted out of the GBS settlement may not be in the same position vis a vis Google as before the settlement because the market for e-books and for institutional subscriptions of books will be substantially affected by approval of the settlement, and not necessarily in a positive way for those who opted out. Some worry that Google might retaliate against them for opting out by making it difficult for potential readers to find their books.³⁹⁶ Because Google maintains its search algorithms as closely held trade secrets, it may be difficult for disadvantaged authors to be able to show any discrimination.

The GBS settlement has a legislative dimension also because it would establish a complex forward-looking commercial enterprise and a new collecting society, which go far beyond the particular issue in litigation in the *Authors Guild* case.³⁹⁷ In this respect, the GBS settlement is an even more “adventuresome” use of the class action device than *Amchem*.³⁹⁸ At least in *Amchem*, the goal of the settlement tribunal was to provide remedies for past wrongful acts, even if the harms from those were not yet manifest. That settlement did not to give the defendants a license to engage in future acts which, but for the settlement, would be wrongful, as the GBS settlement would do. Indeed, the whole point of the GBS settlement is to authorize Google to commercialize and make other uses of class members’ books in ways that were not at issue in the *Authors Guild* case. Approval of the settlement will give Google a positive benefit that would vastly exceed the relief to which it would have been entitled had it won its fair use defense.³⁹⁹

The U.S. Department of Justice (DOJ) characterized the GBS settlement as “a bridge too far” because it attempts to use the class action settlement process to “restructur[e] legal

³⁹⁴ See Objection of Amazon.com, Inc. to Proposed Settlement, *Authors Guild Inc. v. Google Inc.*, No. 1:05-CV-8136 (S.D.N.Y. Sept. 1, 2009), available at <http://thepublicindex.org/docs/letters/amazon.pdf>.

³⁹⁵ See, e.g., OBA Supplemental Objection, *supra* note xx.

³⁹⁶ See, e.g., Objections of Writers Representatives’ LLC and Richard A. Epstein to Amended Settlement at 18, *Authors Guild Inc. v. Google Inc.*, No. 1:05-CV-8136 (S.D.N.Y. Jan. 28, 2010), available at http://thepublicindex.org/docs/amended_settlement/Writers_Representatives_Objection.pdf.

³⁹⁷ See, e.g., James Grimmelmann, *A Bridge Too Far? Google Books, Future-Conduct Claims, and the Limits of Class-Action Settlements* (manuscript on file with the author) (arguing that the most fundamental problem with the GBS settlement is that the future conduct it would permit goes too far beyond the issue in litigation).

³⁹⁸ *Amchem*, 521 U.S. at 617-18.

³⁹⁹ Fairness Hearing Transcript, *supra* note xx, at 119-120.

regimes in the absence of Congressional action.”⁴⁰⁰ To DOJ, it did not matter whether this restructuring was sensible or not; the class action settlement mechanism simply could not be used to achieve a legislative-type outcome of this scope.⁴⁰¹ “If there is going to be a fundamental shift in the exclusive right of the copyright holder to require advance permission, if we’re going to establish a compulsory license,” DOJ argued at the fairness hearing, “that should be done by Congress, particularly in this instance when it not necessary to settle the underlying dispute.”⁴⁰²

Second Circuit precedents have sometimes approved class action settlements to went beyond the claims and relief sought in the complaint through its “identical factual predicate” doctrine. In *Wal-Mart Stores, Inc. v. Visa USA, Inc.*, for example, the Second Circuit upheld a class action settlement that sought to release claims against the defendant credit card companies beyond those raised in the complaint. The court determined that such releases were acceptable as long as the claims arose out of the identical factual predicate set forth in the complaint.⁴⁰³ Under this test, it would be difficult for the GBS settlement to be approved because the settlement deals with so many matters beyond the facts pleaded, the claims made, and the remedies sought issues in the *Authors Guild* lawsuit.⁴⁰⁴

Seemingly to avoid these Second Circuit precedents, Google, AAP, and the Guild have argued that the forward-looking aspects of the GBS settlement should be assessed instead under the Supreme Court’s ruling in *Local No. 93, Int’l Ass’n of Firefighters v. City of Cleveland*, which reviewed a consent decree under which Cleveland agreed to undertake a broader program of relief for past discrimination than originally sought in the complaint.⁴⁰⁵

Google argued that the GBS settlement satisfies the three criteria set forth in *Firefighters* for settlements that provide for relief beyond that sought in the complaint. Those criteria are: (1) that the settlement must spring from and resolve a dispute within the court’s subject matter jurisdiction; (2) that the settlement must come within the general scope of

⁴⁰⁰ DOJ SOI II, *supra* note xx, at 3. DOJ recognized some worthy objectives of the settlement (e.g., making books more widely accessible to the public, including to print-disabled persons). *Id.* at 1.

⁴⁰¹ *Id.* at 3-5.

⁴⁰² Fairness Hearing Transcript, *supra* note xx, at 125.

⁴⁰³ 396 F.3d 96, 108 (2d Cir. 2005). *See also* *Nat’l Super Spuds, Inc. v. N.Y. Mercantile Exchange*, 660 F.2d 9 (2d Cir. 1981)(disapproving class action settlement that aimed to release claims as to both liquidated and unliquidated futures contracts even though the complaint had only alleged violations as to liquidated contracts); *Uni Super Ltd. v. News Corp.*, 898 A.2d 344 (Ct. Ch. 2006) (upholding objection to release of claims beyond the operative set of facts that have happened in the past).

⁴⁰⁴ DOJ SOI II, *supra* note xx, at 6, 11 (concluding that the identical factual predicate test is applied to the GBS settlement).

⁴⁰⁵ 478 U.S. 501 (1986). *See, e.g.*, Brief of Google Inc. in Support of Motion for Final Approval of Amended Settlement Agreement at 15-20, , *Authors Guild Inc. v. Google Inc.*, No. 1:05-CV-8136 (S.D.N.Y. Sept. 1, 2009), available at http://thepublicindex.org/docs/amended_settlement/google_final_approval_support.pdf. There is a substantial literature about efforts to use litigation as a means to accomplish reforms that legislatures have failed to undertake. *See, e.g.*, MALCOLM M. FEELEY & EDWARD RUBIN, *JUDICIAL POLICY MAKING AND THE MODERN STATE: HOW COURTS REFORMED AMERICA’S PRISONS* (1998).

the case made out by the pleadings; and (3) that the settlement furthers the objectives of the law underlying the dispute.⁴⁰⁶ Google has argued that the settlement is within the subject matter jurisdiction of the court because it settles the dispute over its digitization of in-copyright books and storage of the books on its servers.⁴⁰⁷ Because the Guild and publishers complained about Google's delivery of LDCs to library partners and sought to stop copying of in-copyright books which would enable other infringing acts, the settlement is arguably within the pleadings.⁴⁰⁸ As for furthering the objectives of copyright law, Google says it does so for two reasons: first, because it would make books much more widely available, thereby promoting the progress of science in line with constitutional objectives, and second, because it would provide compensation to authors and give them control over Google's uses of their books.⁴⁰⁹

DOJ has strongly disagreed. The forward-looking commercial elements of the settlement, in its view, do not pertain to the legal dispute over which the court had subject matter jurisdiction.⁴¹⁰ Neither the Guild's nor the publishers' lawsuits charged Google with infringement for scanning books to sell copies of them or to make an ISD for licensing to libraries, both of which are at the core of the settlement Google was seeking to have approved.⁴¹¹ DOJ regarded the settlement as inconsistent with the objectives of copyright law, saying: "The ASA seeks to carve out an exception from the [Copyright] Act's normal rules and presumptions, which require a rights holder to affirmatively grant permission for the kinds of uses contemplated by the ASA."⁴¹² Such an exception might well be justifiable, but its adoption was "a judgment better suited for legislative consideration rather than for courts to make in the context of approving a settlement under Rule 23."⁴¹³

The fundamental question, then, is whether the legislative nature of the GBS settlement is merely an interesting side effect of the deal or a reason to approve or disapprove it? *Amchem* and other precedents suggest that the legislative or quasi-legislative nature of a class action settlement should not be regarded merely an interesting side effect of the deal, nor a factor cutting in favor of the settlement. However, just because a class action settlement might bring about the same kind of result as legislation does not necessarily mean that that it should be disapproved.

⁴⁰⁶ *Firefighters*, 478 U.S. at 525.

⁴⁰⁷ Google Approval Brief, *supra* note xx, at 15-16. It denied that live litigation was necessary for each provision of the settlement agreement, intimating that the *Firefighters* decree could not have been approved under the DOJ's more restrictive interpretation of this first criterion. *Id.*

⁴⁰⁸ *Id.* at 17-18.

⁴⁰⁹ *Id.* at 18-20.

⁴¹⁰ DOJ SOI II, *supra* note xx, at 6-7. There is no actual case or controversy between Google, on the one hand, and the Guild and AAP, on the other, about whether it is fair use for Google to scan books to sell them to the public or to develop a subscription service to millions of books as long as it provides 63 percent of the revenues to rights holders. Google has not undertaken these activities, and so the Guild and AAP could not have sued to challenge these uses. *Id.* The settling parties have leveraged a real dispute over scanning-for-snippets to achieve a global resolution about many contentious copyright issues that are beyond the issues supposedly being litigated.

⁴¹¹ *Id.* at 7-8.

⁴¹² *Id.* at 9.

⁴¹³ *Id.* at 10.

Consider a possible settlement of a class action in a case such as *American Geophysical Union v. Texaco*,⁴¹⁴ which concerned the legality of photocopying of articles from scientific and technical journals by employees of Texaco and other firms. If Texaco and a class of subscribers to the plaintiffs' journals agreed to settle a publisher class action lawsuit by agreeing to pay the Copyright Clearance Center for this photocopying, it might have for the affected class of defendants the same result as if Congress enacted legislation to require such payments. However, as long as the requirements of Rule 23 were satisfied, such a settlement could be approved consistent with principles of due process because it is properly tailored to provide a remedy for the matter in litigation in that case.

But the legislative character of a class action settlement should give rise to heightened scrutiny not only of the settlement class, but also of the fairness of the settlement, particularly where there has been no prior certification of the class. Among the factors that should be considered are: 1) the relative size of the settlement class, 2) the likelihood of diverse interests within the class, 3) the breadth of the settlement compared to the issues in litigation and the relief that was sought in the complaint, 4) how extensive (or not) the impacts of the settlement will be on the future course of activities in that field; 5) the extent to which the settlement will cause spillover effects on third parties who were unable to participate in the settlement negotiations; and 6) whether approval of a class action settlement will confer an unfair advantage on the settling defendant.

Under this multi-factored heightened scrutiny standard, the GBS settlement would not fare well: 1) the class probably includes tens of millions of people;⁴¹⁵ 2) hundreds of objections demonstrate several types of diverse interests and legal perspectives that undermine the notion that the GBS settlement class could be certified; 3) the settlement goes very far beyond the matter in litigation; 4) the settlement would affect the market for books for the foreseeable future; 5) spillover effects of the GBS settlement for third parties are evident, and 6) "the legal and structural changes the parties seek to accomplish would confer on [Google] a level of market dominance that other competitors without access to the ASA's special rules and procedures will be hard pressed to challenge for the foreseeable future."⁴¹⁶

Consider, in addition, how the GBS settlement differs from legislation that might plausibly address some of the same issues as the settlement does. It is inconceivable that Congress would pass orphan works legislation so that only Google would have a license

⁴¹⁴ 60 F.3d 913 (2d Cir. 1994).

⁴¹⁵ There is, moreover, scant evidence that the parties to the settlement ever seriously intended to litigate the scanning-for-snippets claims. As in the *GM* case, settlement talks began soon after the litigations commenced; the parties conducted very little discovery; there was never an attempt to certify the class, even though Rule 23 requires that this be done "as soon as practicable"; objections of some parties revealed likely intra-class conflicts; the merits of the underlying claim and valuation of the claims were undeveloped; there was a substantial mismatch between the relief sought in the complaint and the settlement terms; and large fees for class counsel raise questions about whether they were intent on maximizing the benefits of the settlement for the class or for themselves. *In re General Motors Corp.* 55 F.3d 768 (3d Cir. 1995)(rejecting proposed class action settlement).

⁴¹⁶ DOJ SOI II, *supra* note xx, at 3.

to commercialize these books. Nor would legislation addressing the author-publisher e-book ownership dispute provide a resolution of this controversy that only benefited Google. If Congress established an arbitration regime to settle disputes over whether books are in copyright or in the public domain, are in-print or out-, are owned for e-book purposes by A or B, and/or relieved digitizers from the risk of statutory damage awards, Congress would not choose Google to be the only company able to take advantage of these limits. Moreover, if Congress found persuasive the argument that non-display uses of in-copyright books should be permitted, its grant of this privilege would apply to more firms than Google. Congress would also be unlikely to ignore the concerns of privacy advocates who worry about the extensive monitoring of book usages by digital libraries such as GBS. Antitrust officials would likely have input to legislative decisions about how a commercial service such as GBS should engage in price-setting and the like.

Because the most significant copyright reform that the GBS settlement would bring about concerns orphan works, it is worth comparing the orphan works legislation that Congress has considered up in recent years and the approach adopted in the GBS settlement.⁴¹⁷ That legislation was modeled on recommendations of the U.S. Copyright Office, which concluded that orphan works should be freely usable if rights holders cannot be found after a reasonably diligent search.⁴¹⁸ The Office considered, but rejected an escrow model,⁴¹⁹ such as that embodied in the GBS settlement.

The GBS settlement would, by contrast, establish a private escrow regime for collecting and distributing revenues Google may earn from its commercialization of orphan books. It anticipates that BRR will hold onto revenues earned from unclaimed books for 10 years, after which the UWF would become a philanthropist, charged with distributing these funds to literacy-promoting charities in various countries.⁴²⁰ BRR will apparently continue to receive substantial revenues from Google for its monetization of orphan books through their full copyright terms, and the UWF will apparently continue paying these unclaimed funds to the literacy charities. The UWF does not have the authority to declare books to be orphans and authorize them to be made available on an open access basis. Prices for ISD subscriptions are, consequently unlikely to fall even after a substantial percentage of the unclaimed books are determined to be orphans.

The GBS settlement does anticipate that Congress might pass legislation affecting orphan books. It gives the UWF authority to license copyright interests in unclaimed books to third parties “to the extent permitted by law.”⁴²¹ Existing law does not permit *any* licensing of in-copyright books to third parties without the rights holders’ permission.

⁴¹⁷ See *supra* note xx.

⁴¹⁸ See Orphan Works Report, *supra* note xx, at 11. The Office recommended that if a rights holder later came forward to claim the work, the person who reasonably believed the work was an orphan might continue the use for future compensation. *Id.* at 115.

⁴¹⁹ *Id.* at 11 (characterizing the escrow model as “highly inefficient” because “every user would be required to make payment, but in the vast majority of cases, no copyright owner would resurface to claim the funds, which means the system would not in most cases actually facilitate payments between owners and users of orphan works”).

⁴²⁰ ASA § 6.3(a)(i)(3).

⁴²¹ ASA, § 6.2(b)(i).

The only way that the UWF could get the legal authority to issue such licenses would be from Congress, presumably through the passage of orphan works or extended collective licensing legislation.⁴²² The UWF would have a financial stake in the continuation and extension of the escrow regime and in persuading Congress that escrowing under the UWF's aegis was the best solution to the problem posed by unclaimed works. Google and the other settling parties may support the UWF as an intermediary for the licensing of orphan books to third parties.⁴²³ In this way, approval of the GBS settlement might well intrude on Congressional prerogatives.⁴²⁴

The eleemosynary impulse underlying the literacy charity provisions of the GBS settlement may be commendable, but escrowing funds from orphan books is not the appropriate approach to making orphan books more widely available. Once books are known to be orphans, they should be freely available for use by all, as the Copyright Office has recommended. This would be more consistent with the utilitarian purpose of U.S. copyright law, insofar as these works lack an author or publisher who arguably needs exclusive rights to recoup investments in creating and disseminating these works. An institutional subscription to orphan books should be priced to allow recoupment of the costs of providing this service, but not to maximize profits for those rights holders who cannot be found through the end of the copyright terms.

There is the further concern that approval of the GBS settlement would set a precedent that would encourage other similarly audacious class action settlements.⁴²⁵

Conclusion

The GBS settlement, if approved, would bind millions of copyright owners world-wide to an exceptionally complex commercial arrangement for many decades, whose payouts to rights holders would be governed by a yet-to-be-formed collecting society likely to be dominated by the key litigants in the case. Given its forward-looking character and the numerous respects in which it will significantly modify substantive rights of class members and achieve results that are tantamount to legislation, the amended GBS settlement should not be approved.

Nonapproval of the GBS settlement will not have as dire a set of consequences as some commentators seem to believe.⁴²⁶ For one thing, Google is continuing to scan books for

⁴²² Extended collective licensing is widely used in the Nordic countries to allow a license to extend beyond the rights holders who have signed up with a collective management organization for administering copyrights; extended collective licenses are generally adopted by legislation or governmental actions. *See, e.g.,* Tarja Koskinen-Olsson, *Collective Management in the Nordic Countries*, in COLLECTIVE MANAGEMENT OF COPYRIGHTS (Daniel Gervais, ed. 2010).

⁴²³ *See supra* note xx (Google's chief legal officer's suggestion of the GBS settlement as a framework for orphan works legislation).

⁴²⁴ Testimony of Marybeth Peters, *supra* note xx, at 3 (“the [GBS] settlement would inappropriately interfere with the ongoing efforts of Congress to enact legislation to enact orphan works legislation in a manner that takes account the concerns of all stakeholders as well as the United States’ international obligations”).

⁴²⁵ *See, e.g.,* Grimmelman, *supra* note xx; Samuelson, *supra* note xx, at 1355-58.

GBS, to serve up snippets in response to user queries, to provide links to libraries or bookstores from which the books can be lawfully acquired, to provide libraries with LDCs which they can use for lawful purposes, and to work with authors and publishers on making as many books available through GBS as it can. Google can be expected to make efforts to determine whether books are orphans; it may even be willing to make more of the contents of these books available to the public on the theory that fair use should be broader for orphan books than non-orphans.

Nonapproval of the settlement may well renew interest in orphan works legislation and in the free-access model for true orphans that the Copyright Office has recommended rather than the escrow model embedded in the GBS settlement. University research communities may be able to self-organize to encourage colleagues to make their out-of-print books available on an open access basis, so that a corpus of scholarly books might be curated for licensing at modest prices and on academically reasonable terms.

⁴²⁶ See, e.g., Tim Wu, *Save the Google Book Deal!*, SLATE, Sept. 29, 2009, <http://www.slate.com/id/2229391/> (“To punish Google by killing Book Search would be like punishing Andrew Carnegie by blowing up Carnegie Hall.”)