

# Google Books: The importance of being ~~earnest~~ important

## THE CASE:

*The Authors Guild, Inc v Google Inc*

US District Court for the Southern District of New York

14 November 2013

Is it fair that the perceived 'popularity' of a service influences the courts? **Hillel Parness** asks whether Google's dominance is allowing it freedoms not afforded to others

**On 14 November, 2013, Judge Denny Chin of the Southern District of New York issued a long-awaited decision in *The Authors Guild, Inc v Google Inc*, in favour of Google on the parties' cross-motions for summary judgment, based on his conclusion that Google had a fair use defence to plaintiffs' claims of copyright infringement.<sup>1</sup> This article focuses on one aspect of the court's reasoning, namely its repeated emphasis on the "importance" of the Google Books service, and how that concept may have impacted the court's conclusion of fair use.**

As people familiar with the case know, the parties did not begin to brief the fair use question until July 2012, and did not finish briefing it until September 2013. The first delay can be attributed in substantial part to the fact that the parties entered into a settlement in 2008, which the court rejected in March 2011. The second delay came in August 2012, when Google appealed Judge Chin's grant of class certification, which stayed the district court case, and the fair use briefing, until July 2013. Thus, for eight years the Google Books service was up and running, available for use for free by the public.

The settlement would have seen the establishment of a Book Rights Registry and a split of fees between Google and copyright holders for books sold through and advertising placed on Google Books. In the March 2011 opinion,<sup>2</sup> the district court explained why it was rejecting the settlement:

"It would permit this class action – which was brought against defendant Google Inc to challenge its scanning of books and display of 'snippets' for on-line searching – a forward-looking business arrangement that would grant Google significant rights to exploit entire books,

without permission of the copyright owners. Indeed, the ASA [amended settlement agreement] would give Google a significant advantage over competitors, rewarding it for engaging in wholesale copying of copyrighted works without permission, while releasing claims well beyond those presented in the case."

The court noted even then that "[t]he benefits of Google's book project are many," but added that "[m]illions of the books scanned by Google, however, were still under copyright, and Google did not obtain copyright permission to scan the books." Judge Chin closed the opinion as follows:

"...I conclude that the ASA is not fair, adequate, and reasonable...[M]any of the concerns raised in the objections would be ameliorated if the ASA were converted from an 'opt-out' settlement to an 'opt-in' settlement."

Thus in March 2011 – before the parties or the court had addressed fair use – the court's message appeared to be that the opt-out structure of the proposed settlement, which paralleled Google's decision to scan millions of books without seeking permission, was unfair to copyright holders, even where the plaintiffs had agreed to a structure by which they would be paid for the exploitation of their works.

The next major development in the case was the court's grant of class certification in May 2012.<sup>3</sup> Among Google's objections was that class certification had to yield to the need for individualised evidence of infringement and fair use, which the court addressed as follows:

"[G]iven the sweeping and indiscriminating nature of Google's unauthorised copying, it would be

unjust to require that each affected association member litigate his claim individually. When Google copied works, it did not conduct an inquiry into the copyright ownership of each work; nor did it conduct an individualised evaluation as to whether posting 'snippets' of a particular work would constitute "fair use." It copied and made search results available *en masse*. Google cannot now turn the tables and ask the Court to require each copyright holder to come forward individually and assert rights in a separate action."

In May 2012, therefore, the court could once again be heard to criticise Google for the manner in which it went about collecting the copyrighted works for inclusion in Google Books, although once again neither the court nor the parties had yet had the opportunity to reach the fair use issue.

The November 2013 decision, however, had a markedly different tone. Beginning with the first fair use factor (purpose and character of the use), Judge Chin pronounced "Google's use of the copyrighted works [] highly transformative," and held that it "strongly favours a finding of fair use". Moving on from there, the court found the second factor (nature of the copyrighted works) to favour Google because the majority of the works copied were non-fiction, published and available to the public. On the third factor (amount and substantiality of the portion used), the court found that while Google copied the entirety of all of the works, the impact of that factor was lessened by the fact that Google only presents "snippets" to users. And finally on the fourth factor (impact on the market), the court found it unlikely that people would try to use snippets as replacements for

the original works.

In the course of concluding that Google Books was “highly transformative,” the court made a number of observations about the manner in which Google Books had come to be used. In a portion of the “Facts” section entitled “The Benefits of the Library Project and Google Books,” the court wrote:

“Google Books **has become an essential research tool**, as it helps librarians identify and find research sources, it makes the process of interlibrary lending more efficient, and it facilitates finding and checking citations. Indeed, Google Books **has become such an important tool** for researchers and librarians that it has been integrated into the educational system – it is taught as part of the information literacy curriculum to students at all levels.

....

“Second, in addition to being an **important** reference tool, Google Books greatly promotes a type of research referred to as ‘data mining’ or ‘text mining’.”

The court continued the theme in the portion of the opinion discussing the first fair use factor:

“Google Books **has become an important tool** for libraries and librarians and cite-checkers as it helps to identify and find books. The use of book text to facilitate search through the display of snippets is transformative.

....

“[E]ven assuming Google’s principal motivation is profit, the fact is that Google Books serves several **important** educational purposes.”

Later, when addressing the third factor, the court acknowledged that Google makes full-length copies of the works at issue, but then stated that because “one of the keys to Google Books is its offering of full-text search of books, full-work reproduction is critical to the functioning of Google Books.”

And, when addressing the fourth fair use factor, the court found support for Google’s position in the idea that the service helped – rather than hurt – copyright holders: “To the contrary, a reasonable factfinder could only find that Google Books enhances the sales of books to the benefit of copyright holders... In this day and age of on-line shopping, there can be no doubt but that Google Books improves books sales.”

The court’s repeated reference to the

“essential” and “important” nature of Google Books, as well as the “critical” need for Google to copy full-length texts, calls back to prior cases where courts, either implicitly or explicitly, took into consideration the perceived importance of the product or service in question, and sometimes the importance of the copyright infringement to the facilitation of the same. Also worth noting is the court’s repeated statements that Google Books “has become” essential and important in the eight years that the case has been pending.

**“In the course of concluding that Google Books was ‘highly transformative’, the court made a number of observations about the manner in which Google Books had come to be used.”**

This concept can be seen in *Sony Corp of Am v Universal City Studios, Inc*, of 1984, when the Supreme Court imported the “staple article of commerce principle” from patent law into copyright law, deeming the Betamax video tape recorder “capable of substantial noninfringing uses”. One can suggest that implicit in the court’s conclusion was a recognition of the benefit consumers were deriving from access to this new technology, of the inescapable nature of the copyright infringement at the heart of the technology, and that a ruling of copyright infringement might substantially or completely deprive them of that benefit.<sup>4</sup>

In 1995, the court in *Religious Technology Ctr v Netcom On-Line Communic Servs, Inc*<sup>5</sup> grappled with this issue more directly when considering ISP liability for copyright infringement by users via its system:

“Netcom’s actions, to the extent that they created a copy of plaintiffs’ works, were **necessary** to having a working system for transmitting Usenet postings to and from the internet.

....

“These parties, who are liable under plaintiffs’ theory, do no more than operate or implement a system that is **essential** if Usenet messages are to be widely distributed.

....

“Where the infringing subscriber is clearly directly liable for the same act, it does not make sense to adopt a rule that could lead to the liability of countless parties whose role in the infringement is nothing more than setting up and operating a system that is **necessary** for the functioning of the Internet.”

....

“Billions of bits of data flow through the internet and are **necessarily** stored on servers throughout the network and it is thus practically impossible to screen out infringing bits from noninfringing bits.”

The *Netcom* court’s explicit recognition that communication over the internet required copying, and its implicit recognition that having such a system is a public benefit, led directly to the court’s groundbreaking and still controversial contribution to copyright jurisprudence: “Although copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant’s system is merely used to create a copy by a third party.”

In 1997, a pair of cases in California considered – and rejected – the argument that Network Solutions Inc should incur trademark liability for registering infringing domain names. Key to understanding the courts’ reasoning is the fact that at that time NSI held the exclusive contract for registration of “.com” domain names. As in *Netcom*, one can hear the courts’ views about the importance of the domain name system, and their concerns that a finding of infringement would not simply affect NSI, but the internet and perhaps the economy as a whole:

“Because of these capabilities, the web has become a popular medium for advertising and for direct consumer access to goods and services. At the same time, the Web, like the rest of the Internet, is an **important** medium of non-commercial communications.

....

“Because of the quantity of information on the web, searches often yield thousands of possible web sites. Such a cumbersome process is rarely satisfactory to businesses seeking to use the web as a marketing tool. Instead, **businesses would prefer** that customers simply be able to find a web site directly using a corporate name, trademark or service mark.<sup>6</sup>

....

“The hardship to Network Solutions of implementing a massive pre-screening

process would drastically change the nature of their business. Network Solutions' evidence leads the Court to believe that such a change in the process would likely **drive the cost of registration up and slow the process down.**"<sup>7</sup>

One might suggest that today – when NSI no longer has the exclusive contract, and when people in fact do use search engines as their primary way to find particular websites – a different outcome or analysis could certainly be envisioned. The fact that the courts' views on the importance of maintaining the status quo may have been a function of the age only serves to underscore the impact that those views may have had upon the courts' conclusions.

Of course not every case turns out this way – there are strong examples over the years of judges rejecting or otherwise ignoring arguments about the importance of products, services or technology at issue. In 2000, for example, Judge Rakoff issued a strong opinion against MP3.com for a service that gave users access to online versions of music they ostensibly already owned on compact disc. Finding MP3.com liable for tens of thousands of acts of copyright infringement and rejecting its fair use defence, the court also rejected both the argument that MP3.com's service increased record sales, and (in rather direct contrast to Judge Chin's later opinion in *Google*) that MP3.com's service was a better alternative to piracy:

"Any allegedly positive impact of defendant's activities on plaintiffs' prior market in no way frees defendant to usurp a further market that directly derives from reproduction of the plaintiffs' copyrighted works.

....

"[T]his essentially reduces to the claim that My.MP3.com provides a useful service to consumers that, in its absence, will be served by 'pirates.' Copyright, however, is not designed to afford consumer protection or convenience but, rather, to protect the copyright holders' property interests."<sup>8</sup>

Similarly, when considering whether AT&T needed a licence from ASCAP for the public performance of ringtone previews, Judge Connor rejected AT&T's fair use defence, citing back to *MP3.com* for the following conclusion:

"[T]he suggestion that previews may increase sales of ringtones, ringback tones and CDs, for which artists are compensated as holders of the reproduction right of their music, is

irrelevant to an analysis of the effect on the market for the public performance of ASCAP music; ASCAP is not compensated for any increase in sales of the recordings of its members."<sup>9</sup>

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Likewise, nobody looking back at the peer-to-peer file sharing cases of the prior decade would expect one of those courts to have given a pass to one of those services on the argument that they were an "important" resource for people seeking music, or that the full-length copying facilitated by the services was "essential" or "critical" to the P2P user base. To the contrary, the *Napster* trial judge specifically rejected *Napster's* argument that an injunction would simply drive users to other infringing services:

"[C]onsumers will not necessarily resume buying music if *Napster* is enjoined; rather, they will go to other sites offering free MP3 files. Indeed, as [plaintiffs' expert] avers, defendant has contributed to a new attitude that digitally-downloaded songs ought to be free – an attitude that creates formidable hurdles for the establishment of a commercial downloading market."<sup>10</sup>

This framework allows for the following questions:

1. Is there a defensible line to be drawn between the *Netcom* and *Network Solutions* cases, where the courts may have felt they were dealing with critical internet infrastructure, and *MP3.com*, AT&T and the P2P cases, where judges may have felt no obligation to give a pass to commercial music services?
2. What does 'importance' mean in the context of a service based on large-scale, undisputed copyright infringement? Is it just another way of saying 'popularity'?
3. If a service remains operational during the pendency of a copyright lawsuit, is the adoption of the service by the public during that period relevant to questions of infringement and fair use?
4. If fair use had been briefed and decided earlier in this case, could the court have reached a different result?
5. If 'importance' or 'popularity' of an infringing service is a function of the passage of time, is there an argument for excluding that from consideration for fear of improperly influencing the fair use question?

#### Footnotes

1. *The Authors Guild, Inc v Google Inc*, No. 05-cv-8136, 2013 US Dist LEXIS 162198 (SDNY. 14 Nov, 2013). Throughout this article, all emphases are added and internal citations omitted unless otherwise indicated.
2. 770 F. Supp. 2d 666 (SDNY 2011).
3. 282 F.R.D. 384 (SDNY 2012).
4. 464 US 417 (US 1984).
5. 907 F. Supp. 1361 (ND Cal 1995).
6. *Lockheed Martin Corp v Network Solutions, Inc*, 985 F. Supp. 949 (CD Cal 1997).
7. *Academy of Motion Picture Arts and Sciences v Network Solutions Inc*, 989 F.Supp. 1276 (CD Cal 1997).
8. *UMG Recordings, Inc v MP3.Com, Inc*, 92 F.Supp.2d 349 (SDNY. 2000).
9. *US v ASCAP (In re AT&T Wireless)*, 599 F. Supp. 2d 415 (SDNY 2009).
10. *A & M Records, Inc v Napster, Inc*, 114 F.Supp.2d 896 (ND Cal 2000).

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