

NOTE

GOOGLE BOOKS: AN ORPHAN WORKS SOLUTION?

I. INTRODUCTION

In 2002, Google took on one of the most epic tasks in literary history: creating and maintaining the largest and most comprehensive digital library the world has ever seen.¹ Google aims to include every book ever printed in the endeavor it calls Google Books.² The collection will be searchable by anyone who can access the Internet,³ and users will be able to download and print entire books in an instant.⁴ Google Books has the potential to unlock troves of literary knowledge for the general public.⁵

Admirable as the goal is, the manner in which Google has gone about acquiring the books for its endeavor has sparked great controversy.⁶ Publishers can easily provide new books to Google in digitized form.⁷ Old books, however, must be scanned and digitized in order to be a part of Google Books.⁸ In lieu of the traditional, yet timely and costly, method of contracting for rights and licenses to copy and

1. See Steven Hetcher, *The Half-Fairness of Google's Plan to Make the World's Collection of Books Searchable*, 13 MICH. TELECOMM. & TECH. L. REV. 1, 65-66 (2006).

2. About Google Books, <http://www.google.com/googlebooks/history.html> (last visited July 21, 2010) (giving history and goals of Google Books). Note that Google Books is the current name. *Id.* In the past, it has been called Google Print and Google Book Search. *Id.*

3. Eric M. Fraser, *Antitrust and the Google Books Settlement: The Problem of Simultaneity* 3-4 (June 6, 2009) (unpublished manuscript), <http://ssrn.com/abstract=1417722>.

4. See Amended Settlement Agreement at §§ 4.1-4.2, 4.7, Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136-DC (S.D.N.Y. Nov. 13, 2009), available at <http://www.authorsguild.org/advocacy/articles/settlement-resources.attachment/amended-settlement-agreement/Amended-Settlement-Agreement.pdf>.

5. See Hetcher, *supra* note 1.

6. See Jerry A. Hausman & J. Gregory Sidak, *Google and the Proper Antitrust Scrutiny of Orphan Books*, 5 J. COMPETITION L. & ECON. 411, 418-19 (2009).

7. See Frank Pasquale, *Copyright in an Era of Information Overload: Toward the Privileging of Categorizers*, 60 VAND. L. REV. 135, 149 (2007).

8. *Id.* at 147-48.

display the books of every copyright owner⁹ of every book ever printed, Google formed agreements with the world's largest and most prestigious libraries to allow for Google to scan and digitize their collections.¹⁰ Then, Google proceeded to scan millions of books without informing the books' copyright owners.¹¹ The copyright owners discovered Google's scanning of their books when Google announced the project, then called Google Print,¹² in December 2004.¹³ Google viewed its actions as fair use¹⁴ and operated under the policy that any rightsholders who did not want their books to be part of Google's database could opt out of the operation.¹⁵

By copying in-copyright books from library collections, Google may have committed large-scale copyright infringement.¹⁶ The United States Copyright Act dictates, "[c]opyright protection subsists . . . in original works of authorship fixed in any tangible medium of expression, now known or later developed."¹⁷ Literary works are exclusively enumerated as protected works.¹⁸ Google was likely not surprised when the Author's Guild of America filed a class action lawsuit against it for copyright infringement in 2005.¹⁹ Google and the class action plaintiffs reached a preliminary settlement agreement in October 2008²⁰ and amended the agreement in November 2009.²¹

The class action plaintiffs are not the only group crying foul over Google's unauthorized scanning and digitizing of in-copyright books. Scholars, librarians, and economists are up in arms over the fact that rightsholders of orphan works—in-copyright, and usually out-of-print, works for which copyright owners cannot be found by those wishing to

9. See Emily Anne Proskine, Note, *Google's Technicolor Dreamcoat: A Copyright Analysis of the Google Book Search Library Project*, 21 BERKELEY TECH. L.J. 213, 218-19 (2006).

10. See About Google Books, *supra* note 2.

11. See Hetcher, *supra* note 1, at 16-17.

12. See *id.*

13. See About Google Books, *supra* note 2.

14. Google Books Perspectives: Facts & Fiction, <http://www.google.com/googlebooks/facts.html> (last visited July 21, 2010) (explaining fair use and why Google Books is within fair use requirements).

15. See Hetcher, *supra* note 1, at 21.

16. See 17 U.S.C. § 102 (2006).

17. *Id.*

18. *Id.*

19. Class Action Complaint at 1, *Author's Guild v. Google Inc.*, No. 05-CV-8136 (S.D.N.Y. Sept. 20, 2005). The Association of American Publishers subsequently joined the suit as an associational plaintiff. See Second Amended Class Action Complaint at 1, *Author's Guild, Inc. v. Google Inc.*, No. 05-CV-8136-JES (S.D.N.Y. Oct. 31, 2008).

20. Settlement Agreement at 134, *Authors Guild, Inc. v. Google Inc.*, No. 05-CV-8136-JES (S.D.N.Y. Oct. 28, 2008), available at <http://www.books.google.com/booksrightsholders/Settlement-Agreement.pdf>.

21. Amended Settlement Agreement, *supra* note 4, at 165.

use their works²²—are unspoken for in the settlement agreement, despite the fact that the agreement clearly provides for Google to include orphan works in Google Books.²³ Thus, Google has been able to carve out a loophole for using orphan works which no other person or entity is able to use simply because the rightsholders of those works cannot be identified or located for the purpose of obtaining license or permission to use their works.²⁴ The power that the settlement agreement gives Google to rightfully use those orphan works will provide Google with a constructive monopoly over the market for orphan works.²⁵

Orphan works would not be the only books over which Google may develop a constructive monopoly. It would be difficult or impossible for competitors of Google, such as Amazon, Yahoo, and Microsoft,²⁶ to replicate both Google's digitized book collection and the terms of Google's settlement agreement with the class action plaintiffs.²⁷ Given this difficulty, it is unlikely that Google's competitors could enter the digitized book market.²⁸ Thus, Google could also attain a constructive monopoly over the general market for digitized books as well.²⁹

One viable way a "competitor" of Google may compete in the digitized book market would be for the competitor to access Google's digitized book database.³⁰ This could be accomplished in one of two ways: by contracting with Google for rights to use its digitized books³¹ or by asserting a claim against Google under the essential facilities doctrine—an antitrust doctrine under which a court may order an entity holding a monopoly over some facility to allow its competitors to access that facility so that those competitors may enter the market.³² However,

22. See U.S. COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS 15 (2006), available at <http://www.copyright.gov/orphan/orphan-report.pdf>.

23. See Hausman & Sidak, *supra* note 6, at 419-20.

24. See Randal C. Picker, *The Google Book Search Settlement: A New Orphan-Works Monopoly?* 10 (U. OF CHI. L. & ECON., Olin Working Paper No. 462, 2009), available at <http://ssrn.com/abstract=1387582>.

25. See Robert Darnton, *Google and the Future of Books*, N.Y. REV. BOOKS, Feb. 12, 2009, at 9, 11, available at <http://www.nybooks.com/articles/archives/2009/feb/12/google-the-future-of-books/>.

26. See Hetcher, *supra* note 1, at 6. As of 2006, Yahoo! and Microsoft sought to develop digital book databases, but avoided unauthorized scanning of books. *Id.*

27. See James Grimmelmann, *How to Fix the Google Book Search Settlement*, J. INTERNET L., Apr. 2009, at 1, 14.

28. See *id.* at 14-15.

29. See *id.* at 15.

30. See Posting of Brett Frischmann to madisonian.net, <http://madisonian.net/2009/02/15/google-books-and-the-essential-facilities-doctrine/> (Feb. 15, 2009).

31. See Hausman & Sidak, *supra* note 6, at 429-31.

32. See *Ferguson v. Greater Pocatello Chamber of Commerce, Inc.*, 848 F.2d 976, 983 (9th Cir. 1988).

it is unlikely that a competitor would prevail on an essential facilities claim against Google because its constructive monopoly over digitized books is not illegal under the Sherman Antitrust Act.³³

While Google's monopolies are problematic for orphan works advocates and competitors at the moment, there are strong prospects that the problems will not last for long. The reason for this outlook is that the Google Book Search Settlement between Google and the class action plaintiffs provides for the establishment of the Book Rights Registry ("Registry")—a collecting agency to stand between Google and book rightsholders.³⁴ The Registry will make identifying and finding book copyright owners substantially easier for those who wish to use the owners' books.³⁵ If the Registry functions as planned, it will provide a much-needed solution for the problem of orphan books in the United States because it will keep track of rightsholder information.³⁶ Currently an individual who wishes to use an orphan book must search for the book's rightsholder independently because no entity exists to aid in the search.³⁷ If the Registry is able to contract with third parties for the rights to use Google's digitized books, it will eliminate the orphan works problem for a substantial volume of orphan books in the United States,³⁸ and competitors of Google will be able to enter the market for digitized books.³⁹ Thus, multiple entities may coexist in the market for digitized books and the market for orphan works, while only one of those entities, i.e., Google, had to scan millions of books and struggle through a massive lawsuit.⁴⁰

At the moment, the Google Book Search Settlement may appear to accomplish little more than granting Google a free pass on copyright infringement and a monopoly over the rights to use a substantial proportion of books in the United States. However, once it is implemented, the agreement will promote the overarching goal of copyright law to benefit the public with creative works of genius in two ways. First, individuals will be able to access books easily by searching for them on Google.⁴¹ Second, if additional suppliers of digitized books enter the market by contracting with the Registry for use of Google's

33. See Mark A. Lemley, An Antitrust Assessment of the Google Book Search Settlement (July 8, 2009), available at <http://ssrn.com/abstract=1431555>.

34. Amended Settlement Agreement, *supra* note 4, § 6.1.

35. See Sergey Brin, *A Library to Last Forever*, N.Y. TIMES, Oct. 9, 2009, at A31.

36. See *id.*

37. See U.S. COPYRIGHT OFFICE, *supra* note 22, at 29, 31-32.

38. See *infra* Part V.

39. See Picker, *supra* note 24, at 22-23.

40. See Brin, *supra* note 35.

41. See *id.*

digitized books, consumers will gain increased access to digitized books and competitive pricing will emerge.⁴² With patience on the part of copyright owners and competitors, the Google Book Search Settlement will accomplish benefits to match the immensity of Google's endeavor in creating Google Books.

Section II of this Note will provide relevant background information on copyright law, the orphan works problem, Google Books, and the class action lawsuit. Section II will also assess Google's fair use defense. Section III will discuss the settlement agreement to the class action lawsuit and the concerns it raises regarding orphan works and antitrust law. Section IV will analyze the issue of whether Google's competitors can work around the constructive monopoly Google will attain over the market for digitized books by using the essential facilities doctrine to gain access to Google's digitized book database. Section IV will also address how Google can use a most-favored-nation ("MFN") clause as a safeguard against antitrust liability. Section V will explain how Google Books and the Book Rights Registry can serve as a partial solution to the orphan works problem for books in the United States. Finally, Section VI will conclude that Google Books will increase access to books in a manner intended by copyright law and can create markets for digitized books and orphan books.

II. RELEVANT LAW AND THE EMERGENCE OF GOOGLE BOOKS

A. *An Overview of United States Copyright Law*

Article I, section 8, clause 8 of the United States Constitution grants Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."⁴³ The goal of the clause is for Congress to incentivize the creation of original works with a financial reward in order for the public, after a limited time, to gain access to the genius of such works.⁴⁴ The Supreme Court has interpreted this clause, known as the "Copyright Clause," to mean

42. See Hausman & Sidak, *supra* note 6, at 429.

43. U.S. CONST. art. I, § 8, cl. 8.

44. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984); see also David B. Sherman, *Cost and Resource Allocation Under the Orphan Works Act of 2006: Would the Act Reduce Transaction Costs, Allocate Orphan Works Efficiently, and Serve the Goals of Copyright Law?*, 12 VA. J.L. & TECH. 4, 10-11 (2007), http://www.vjolt.net/vol12/issue2/v12i2_a2-Sherman.pdf (discussing recognition by the Supreme Court that copyright law is intended to benefit the public).

that Congress is charged with balancing the interest of authors to exploit their work with society's interest in accessing ideas and information.⁴⁵

Congress regulates copyright law through the United States Copyright Act, which is embodied in Article 17 of the United States Code. The Act provides copyright protection for "original works of authorship fixed in any tangible medium of expression."⁴⁶ Among the exclusive rights granted to the owner of the copyright to a work are the rights to reproduce the work, to distribute copies of the work, and to display the work.⁴⁷ However, exclusive copyright protection is limited in scope so that the monopolies granted to rightsholders do not ultimately inhibit the "Progress of Science and useful Arts"⁴⁸ by preventing beneficial use of copyrighted works by the public.⁴⁹

One of the limitations on exclusive copyrights is the fair use doctrine, which is governed by section 107 of the Copyright Act.⁵⁰ Fair use provides for use of copyrighted works for criticism, comment, news reporting, teaching, scholarship, or research without liability for infringement.⁵¹ Section 107 provides four factors for determining whether use of a copyrighted work is fair use:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.⁵²

45. See *Sony*, 464 U.S. at 429.

46. 17 U.S.C. § 102 (2006). Section 102 enumerates literary works; musical works; dramatic works; pantomimes and choreographic works; pictorial, graphic and sculptural works; motion pictures and audiovisual works; sound recordings; and architectural works as works of authorship. *Id.*

47. *Id.* § 106.

48. U.S. CONST. art. I, § 8, cl. 8.

49. See 17 U.S.C. § 108(a) (allowing reproduction of works by libraries for specified purposes); *id.* § 109(a) (allowing the transfer of ownership of copyrighted works); *id.* § 110(1) (allowing for the performance or display of copyrighted works for education and nonprofit instruction); *id.* § 111(c) (allowing for secondary transmission of copyrighted works by cable carriers); *id.* § 112(a)(1) (allowing for use of ephemeral recordings of copyrighted works by transmitting organizations); see also *Sony*, 464 U.S. at 477-78 (Blackmun, J., dissenting) (providing the example of a scholar or researcher who would have to replicate the work of all scholars before him in order to create a new work).

50. 17 U.S.C. § 107; see also Aundrea Gamble, Comment, *Google's Book Search Project: Searching for Fair Use or Infringement*, 9 TUL. J. TECH. & INTELL. PROP. 365, 369-78 (2007) (discussing the current state of fair use doctrine).

51. 17 U.S.C. § 107.

52. *Id.*

Since section 107 does not provide guidance on applying the factors, fair use analyses are subject to judicial discretion.⁵³

The current term of copyright protection for a work spans the life of the author plus seventy years.⁵⁴ Under the Copyright Act of 1909, which was amended in 1976,⁵⁵ the term of copyright protection was twenty-eight years with an option for a renewal term of twenty-eight additional years.⁵⁶ If a copyright owner failed to renew his copyright to a work, the work fell into the public domain.⁵⁷ The 1976 Act extended the copyright term to the life of the author plus fifty years.⁵⁸ In 1998, the Sonny Bono Copyright Extension Act increased the copyright term by twenty years and thus extended the term to its present length.⁵⁹

In accordance with the tradition of copyright law dating back to 1790 in the United States,⁶⁰ statutory copyright protection under the Copyright Act of 1909 required registering⁶¹ a work with the Copyright Office and depositing⁶² copies of the work to the Copyright Office to be passed on to the Library of Congress.⁶³ The formalities were reduced by the 1976 Act⁶⁴ and then eliminated by the Berne Convention, which the United States signed in 1989.⁶⁵ The Berne Convention prohibits signatories from imposing formalities as a condition to copyright protection.⁶⁶ While the removal of formalities from copyright law and the lengthening of copyright terms have made obtaining and maintaining

53. See *Sony*, 464 U.S. at 478-79 (Blackmun, J., dissenting).

54. 17 U.S.C. § 302(a).

55. See Christopher Sprigman, *Reform(aliz)ing Copyright*, 57 STAN. L. REV. 485, 493-94 (2004).

56. Act of Mar. 4, 1909, ch. 320, 35 Stat. 1075, 1080 (repealed 1976).

57. Benjamin T. Hickman, Note, *Can You Find a Home for This "Orphan" Copyright Work? A Statutory Solution for Copyright-Protected Works Whose Owners Cannot Be Located*, 57 SYRACUSE L. REV. 123, 130 (2006). Approximately eighty-five percent of copyrighted works were not renewed and thereby fell into public domain. Sprigman, *supra* note 55, at 519.

58. Hickman, *supra* note 57, at 131.

59. *Id.* at 132-33. The Sonny Bono Copyright Term Extension Act of 1998 is "also known as 'the Mickey Mouse Protection Act,' because Mickey was about to fall into the public domain." Darnton, *supra* note 25, at 9.

60. Sprigman, *supra* note 55, at 491.

61. Act of Mar. 4, 1909, ch. 320, 35 Stat. 1075, 1076 (repealed 1976).

62. *Id.* at 1078.

63. 2 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 7.17[A] (2009).

64. See Hickman, *supra* note 57, at 131. The reduction of formalities is attributed to Congress's effort to conform to the international standard set forth by the Berne Convention without actually signing the treaty. See Sherman, *supra* note 44, at 15 n.86.

65. Hickman, *supra* note 57, at 131. In order to avoid making the Berne Convention directly enforceable in United States courts, Congress implemented the Berne Convention as a non-self executing treaty. Helen A. Christakos, *WTO Panel Report on Section 110(5) of the U.S. Copyright Act*, 17 BERKELEY TECH. L.J. 595, 597 (2002).

66. See Berne Convention for the Protection of Literary and Artistic Works, Paris Act, art. III, July 24, 1971, 828 U.N.T.S. 221.

copyright protection easier for rightsholders,⁶⁷ the formality-free and lengthened copyright terms are largely to blame for increasing the difficulty for potential users of copyrighted works to find rightsholders, and thereby create the orphan works problem.⁶⁸

B. Orphan Works, the Orphan Works Problem, and Potential Solutions

Orphan works are those works whose copyright owners cannot be identified or located by individuals who would like to use the works in a manner which requires the permission of the copyright owner.⁶⁹ Since the Copyright Act stipulates that original works are protected by copyright law the moment they are fixed in tangible form,⁷⁰ a potential user must assume that the work he seeks to use is protected by copyright.⁷¹ Ideally, under copyright law, a potential user of a work should be able to identify the copyright owner of the work, negotiate with the owner to secure rights for use, and obtain a license to use the work before using it.⁷² A copyright owner may permit use of the work, permit use subject to conditions, permit use subject to a license fee, or deny use of the work.⁷³ When a potential user cannot identify or locate a copyright owner, he is faced with the choice of either using the work at the risk of incurring liability for copyright infringement should the copyright owner discover the use, or not using the work at all.⁷⁴

When faced with the dilemma of whether to use an orphan work, a potential user will most likely decide against using the work.⁷⁵ Potential users often work with limited resources.⁷⁶ A copyright owner may recover damages for the actual value of lost profits he incurs from an infringer's use of the work or statutory damages which range from \$750

67. See U.S. COPYRIGHT OFFICE, *supra* note 22, at 42-43. When creating the 1976 Act, Congress took into account that the formalities of the 1909 Act were a "trap for the unwary" and caused the loss of valuable copyrights." *Id.* at 43.

68. See *Promoting the Use of Orphan Works: Balancing the Interests of Copyright Owners and Users: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H.R. Comm. on the Judiciary*, 110th Cong. 1-2 (2008) (statement of Howard L. Berman, Chairman, H. Subcomm. on Courts, the Internet, and Intell. Prop.) [hereinafter Hearings]; Hickman, *supra* note 57, at 133; Sherman, *supra* note 44, at 14-16.

69. U.S. COPYRIGHT OFFICE, *supra* note 22, at 15.

70. 17 U.S.C. § 102 (2006).

71. U.S. COPYRIGHT OFFICE, *supra* note 22, at 16.

72. Hearings, *supra* note 68, at 3 (comments of Howard Coble, Member, H. Subcomm. on Courts, the Internet, and Intell. Prop.); U.S. COPYRIGHT OFFICE, *supra* note 22, at 15.

73. U.S. COPYRIGHT OFFICE, *supra* note 22, at 15.

74. *Id.*

75. See *id.*

76. See *id.*

to \$150,000 per infringement.⁷⁷ The risk of such liability⁷⁸ and the potential that the search for a copyright owner will become excessively time consuming and costly often dissuade potential users from using orphan works.⁷⁹

The problem associated with orphan works is that potential users will often forego use of orphan works in order to avoid liability for copyright infringement.⁸⁰ The legal consequence of this issue is that historically and culturally valuable works are not being disseminated to the public in a manner consistent with the goal of the Copyright Act to “promote the Progress of Science and useful Arts.”⁸¹ To make matters worse, such works are at risk of becoming unknown to the public before ever entering the public domain.⁸²

In 2006, the United States Copyright Office issued a Report on Orphan Works (“Report”).⁸³ The Report addresses the orphan works problem and its causes, considers proposed solutions to the orphan works problem, and recommends legislative action to Congress.⁸⁴ The Copyright Office recommends that Congress enact legislation to limit remedies for the infringement of orphan works if the user conducted a reasonably diligent search to locate the copyright owner before using the work.⁸⁵

The Copyright Office also recommended that a search of non-governmental resources for an author’s copyright ownership information should be a factor for a reasonable search.⁸⁶ The Report expressed that privately-operated registries “would be much more efficient and nimble,

77. 17 U.S.C. § 504(c) (2006); *see also* BRIAN T. YEH, CONG. RESEARCH SERV., “ORPHAN WORKS” IN COPYRIGHT LAW 4 (2008) (discussing remedies to copyright owners for a finding of copyright infringement); Hearings, *supra* note 68, at 3-4 (comments of Howard Coble, Member, H. Subcomm. on Courts, the Internet, and Intell. Prop., regarding the potential damages claim of a copyright owner).

78. U.S. COPYRIGHT OFFICE, *supra* note 22, at 15.

79. *Id.* at 32; *see also* Sherman, *supra* note 44, at 18-20 (arguing that the costs of time, energy, and money spend by authors searching for copyright owners are prohibitive, especially for libraries, resulting in substantial economic and cultural costs).

80. *See* Steven Hetcher, *Orphan Works and Google’s Global Library Project*, 8 WAKE FOREST INTELL. PROP. L.J. 1, 10 (2007).

81. U.S. CONST. art. I, § 8, cl. 8; Hearings, *supra* note 68, at 1 (testimony of Howard L. Berman, Chairman, H. Subcomm. on Courts, the Internet, and Intell. Prop.); *see also* Sherman, *supra* note 44, at 17-18 (arguing that the orphan works problem undermines copyright law by failing to provide economic benefits to their authors so as to incentivize the production of creative works and by preventing the availability of works to the public regardless of copyright status).

82. Hearings, *supra* note 68, at 1 (testimony of Howard L. Berman, Chairman, H. Subcomm. on Courts, the Internet, and Intell. Prop.).

83. U.S. COPYRIGHT OFFICE, *supra* note 22.

84. *See generally id.* (discussing the orphan works problem and proposing solutions).

85. *Id.* at 95.

86. *Id.* at 103.

able to change more easily in response to the demands of the marketplace and its participants, and to changes in technology surrounding the works and their uses” than formal, government-operated registries.⁸⁷ The Report further recommended that “interested parties . . . develop guidelines for searches in different industry sectors and for different types of works.”⁸⁸ However, one centralized registry with the Copyright Office would be too similar to the formal renewal system in effect before the 1976 Act, which created a “trap for the unwary.”⁸⁹ Additionally, the administration and maintenance of such a registry, along with the tasks determining which works may be registered and how compliance should be enforced, are highly burdensome and would reduce efficiency.⁹⁰

Ultimately, the Copyright Office’s recommendations were never adopted as law. The recommendations were incorporated into the Orphan Works Act of 2006 and were later included in the Copyright Modernization Act of 2006 with the addition of such detail as specific standards for what constitutes a “reasonably diligent search.”⁹¹ However, Congress did not pass either bill.⁹² The same recommendations were later incorporated into the Orphan Works Act of 2008, which proposed that a new section be added to the Copyright Act to limit remedies for cases involving orphan works if the user of the orphan work met certain conditions.⁹³ The conditions include that the user perform a good faith search to locate the copyright owner, file a “Notice of Use” with the Register of Copyrights, provide attribution to the copyright owner, and mark the work in which the orphan work is used with a notice of use.⁹⁴ The Orphan Works Act of 2008, or the Shawn Bentley Orphan Works Act of 2008, was passed by the Senate in September 2008,⁹⁵ but the House of Representatives defeated the bill.⁹⁶

87. *Id.* at 104; *see also* Hetcher, *supra* note 80, at 29 (arguing that a government entity would not have enough funding to create and maintain a database similar to Google’s database and would raise First Amendment and censorship concerns).

88. U.S. COPYRIGHT OFFICE, *supra* note 22, at 10.

89. *Id.* at 43, 73; *see supra* Part II.A.

90. *See* U.S. COPYRIGHT OFFICE, *supra* note 22, at 75. In March 2008, the Register of Copyrights, Marybeth Peters, reiterated in a prepared statement to the Congressional Subcommittee on Courts, the Internet, and Intellectual Property, that “a government database would be wasteful, ineffective and fraught with legal and practical problems.” Hearings, *supra* note 68, at 27. She also rejected the idea that the Copyright Office should make its database of copyright deposits searchable because it would create a chilling effect for copyright owners who fear unauthorized copying by those who would search the database. *Id.*

91. CONG. RESEARCH SERV., *supra* note 77, at 9.

92. *Id.*

93. *Id.* at 9-10.

94. *Id.*

95. *Id.* at 14, 16.

C. Google Books and the Inevitable Lawsuit

Google Books was initiated in 2002 with the goal of digitizing and making every printed book in the world searchable.⁹⁷ It is a task so ambitious that writers, and even one of Google's co-founders, Sergey Brin, have likened it to the Library of Alexandria.⁹⁸ In order to obtain books to include in Google's searchable database, Google launched two initiatives: the Google Partner Program and the Google Library Project.⁹⁹

The Google Partner Program is the means through which Google attains new and in-print books, and the Google Library Project is the means through which Google attains older, out-of-print books.¹⁰⁰ Through the Google Partner Program, a copyright owner can independently contract with Google to give Google the right to include a copyrighted book in Google Books.¹⁰¹ Publishers may provide Google with digital or physical copies of books they wish to include in the project.¹⁰² For books that have already been printed, the Google Library Project allows Google to obtain digital copies of books from libraries and sources other than Partner Program participants.¹⁰³ Google has teamed up with some of the world's most prestigious libraries to scan millions of books into its database¹⁰⁴ using a specialized scanning process which can "unbundle" the printed content of each page of each book scanned in order to digitize and make the scanned books searchable.¹⁰⁵ Libraries participating in the Google Library Project include Harvard, Princeton, Stanford, Columbia, and Oxford, the New York Public Library, the Library of Congress, and dozens of libraries

96. Christian L. Castle & Amy E. Mitchell, *Unhand that Orphan: Evolving Orphan Works Solutions Require New Analysis*, 27 ENT. & SPORTS LAW. 1, 22 (2009).

97. See About Google Books, *supra* note 2.

98. See, e.g., Hetcher, *supra* note 1, at 65; Brin, *supra* note 35; Darnton, *supra* note 25, at 11.

99. See Amended Settlement Agreement, *supra* note 4, §§ 1.65–1.66.

100. See *id.* § 1.65.

101. *Id.* § 1.66.

102. See *id.* § 1.64.

103. *Id.* § 1.65.

104. Fraser, *supra* note 3 (manuscript at 4).

105. Proskine, *supra* note 9, at 217. The scanning machines are likely comprised of a personal computer and camera. *Id.* The machines require that a Google worker flip through and photograph each page of each book scanned. James Grimmelmann, *The Google Book Search Settlement: Ends, Means, and the Future of Books 2* (Am. Const. Soc'y, N.Y.L. Sch. Legal Stud. Res. Paper No. 08/09 #32, 2009), available at <http://ssrn.com/abstract=1388846.2>; Proskine, *supra* note 9, at 217. The scanned images are high quality, but not archival quality. Dan L. Burk, *The Mereology of Digital Copyright*, 18 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 711, 714 (2008).

outside the United States.¹⁰⁶ Google provides each participating library with one digitized copy of each book scanned from its collections.¹⁰⁷

Google's current use of its digitized books on Google Books depends upon whether each book is in copyright.¹⁰⁸ Individual users may search for books or terms from books and may view or purchase the work(s) in the search results.¹⁰⁹ The full text of public domain books is available for users to browse online or download.¹¹⁰ For books still in copyright, limited portions of the books are available for the user to view.¹¹¹ The limited portions range from a snippet (a few lines) of text to several sample pages of the book, depending upon the preferences of each book's copyright owner.¹¹² Google may display advertisements next to search results that direct users to websites where searched-for books may be purchased or to libraries where the books may be borrowed.¹¹³

Once the Settlement is implemented, Google's use of its digitized books will change.¹¹⁴ Google plans to sell books, or portions of books, that are featured in Google Books to individual users.¹¹⁵ It also plans to launch a service for institutional subscribers to have unlimited access to Google's book database.¹¹⁶ Beyond this commercial use of its digitized books, Google intends to perform non-consumptional research by gathering large amounts of data from its digitized books at once, while the researcher performing the task does not read the books.¹¹⁷ Non-consumptional research may include automatic translation, indexing and searching, or linguistic analysis.¹¹⁸

In 2005, the Author's Guild of America and Association of American Publishers filed a class action lawsuit against Google for copyright infringement, via unauthorized copying of their books in

106. Fraser, *supra* note 3 (manuscript at 4).

107. Amended Settlement Agreement, *supra* note 4, § 7.2(a).

108. Pasquale, *supra* note 7, at 149 (describing levels of access copyright owners may choose for their works in Google Books).

109. See Amended Settlement Agreement, *supra* note 4, §§ 1.100, 4.2(a).

110. Burk, *supra* note 105, at 715; Grimmelmann, *supra* note 27, at 11.

111. Grimmelmann, *supra* note 105, at 2.

112. Grimmelmann, *supra* note 27, at 11; see Google Books Perspectives, *supra* note 14.

113. See Google Books Settlement Agreement, <http://www.google.com/googlebooks/agreement/#1> (last visited July 21, 2010).

114. See Amended Settlement Agreement, *supra* note 4, § 3.1; Google Books Settlement Agreement, *supra* note 113.

115. Amended Settlement Agreement, *supra* note 4, § 4.2(a).

116. *Id.* § 4.1.

117. *Id.* §§ 1.93, 1.123; see also *id.* § 7.2(b)(vi) (reserving the right for qualified users to conduct non-consumptive research under specific conditions).

118. *Id.* § 1.93.

libraries.¹¹⁹ The plaintiffs' complaint alleged that Google reproduced, distributed, and publicly displayed copyrighted books in violation of the Copyright Act.¹²⁰ Since the Copyright Act protects against unauthorized copying of books,¹²¹ Google may have committed copyright infringement before it displayed the books it gathered through the Google Library Project on its website.¹²² Google maintains that its use of the copyrighted books which were the subject of the suit is fair use under 17 U.S.C. § 107.¹²³ On its Google Books website, Google deems the statement "[i]f a book is still under copyright, scanning it without permission is illegal" to be "fiction."¹²⁴ The webpage explains the "fact" that Google Books is fair and fully consistent with copyright law because copyright law exists to protect and enhance the value of creative works, and Google helps authors and publishers by creating opportunities for readers to find and buy books.¹²⁵

D. Analyzing Google Books Under Fair Use

It is debatable whether the District Court for the Southern District of New York would agree that Google Books is consistent with fair use.¹²⁶ A fair use analysis of Google Books is complicated by the fact that Google copies books in three ways: Google (1) scans a whole copy of each book into its digital database; (2) copies snippets from the its digitized copies of books to display online; and (3) provides libraries participating in the Google Library Program with one digitized copy of each book that they contribute to Google Books.¹²⁷

119. See *supra* note 19 and accompanying text.

120. See Second Amended Class Action Complaint, *supra* note 19, at 16.

121. 17 U.S.C. § 106 (endowing the owner of a copyright the exclusive right to reproduce his copyrighted work).

122. Fraser, *supra* note 3 (manuscript at 4-5).

123. See Google Books Perspectives, *supra* note 14 (explaining fair use and why Google Books is within fair use requirements); see also Hetcher, *supra* note 80, at 8-9 (discussing Google's standpoint in its fair use claim); Grimmelmann, *supra* note 105, at 3-4 (discussing Google's use of a fair use defense and its validity).

124. Google Books Perspectives, *supra* note 14.

125. *Id.*

126. See, e.g., Hetcher, *supra* note 80, at 24-32 (analyzing Google Books as fair use through an economic approach, concluding Google would prevail for policy reasons which take precedence over the rights of copyright owners); Pasquale, *supra* note 7, at 150-57 (analyzing Google's use of "snippets" and copies of whole works, concluding it is too difficult to say whether Google's use is fair use); Gamble, *supra* note 50, at 378-84 (analyzing the Google Books under precedent and the four factors of fair use under 17 U.S.C. § 107, concluding the resolution is a "close call"); Proskine, *supra* note 9, 225-32 (analyzing the Google Library Project under fair use doctrine and concluding it is likely that it could be deemed fair use).

127. See Hetcher, *supra* note 80, at 9.

1. Fair Use Factor One: The Purpose and Character of the Use is Commercial and Weighs Against Google

The first fair use factor, purpose and character of the use, requires weighing the “commercial or nonprofit character of an activity.”¹²⁸ Since Google plans to sell the books it has scanned into its database and post advertisements alongside Google Books search results,¹²⁹ the court would likely find that Google’s use of the copyrighted works is commercial.¹³⁰ Although Google also aims to make searching for and accessing books easier for Web users,¹³¹ these noncommercial goals are not enough to outweigh Google’s commercial interests in evaluating the first factor of fair use.¹³²

When a work is “transformative” because it adds something new or “alter[s] the [original work] with new expression, meaning or message,”¹³³ factors which weigh in favor of a finding of fair use, such as a finding of commercial use, are less significant.¹³⁴ Nothing indicates that Google modifies or adds original elements to the text of its scanned books.¹³⁵ Therefore, a finding that Google’s use of in-copyright books is commercial would not be ameliorated by a consideration of transformative use.¹³⁶

2. Fair Use Factor Two: The Nature of the Copyrighted Work is Creative and Weighs Against Google

The second fair use factor, nature of the copyrighted work, examines whether the work is factual or creative.¹³⁷ Creative works

128. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 448-49 (1984).

129. *See* Amended Settlement Agreement, *supra* note 4, §§ 3.10(c)(iii), 3.14, 4.1, 4.2.

130. Consumptive use that is for profit (as opposed to non-profit or educational) is generally held to be commercial use. *See Sony*, 464 U.S. at 449-50 nn.32-33.

131. *About Google Books*, *supra* note 2.

132. *See Hetcher*, *supra* note 1, at 28-33 (arguing that a court would likely find that Google Books was not fair use because Google’s use of snippets from the books is exploitative). The exploitation evaluation for determining whether use is commercial use was established in *Kelly v. Arriba Soft Corp.*, wherein the Ninth Circuit found that the defendant’s use of thumbnail images in online search results was fair use because the defendant’s use of the images was incidental, rather than exploitative, in nature. 336 F.3d 811, 818 (9th Cir. 2003).

133. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994).

134. *Id.*

135. *See* Amended Settlement Agreement, *supra* note 4, § 3.10(c) (stipulating that Google may not intentionally alter the text of a book without express authorization from the book’s rightsholder or a fiduciary, but Google may add hyperlinks to the text); *About Google Books*, *supra* note 2 (describing Google’s scanning techniques as “non-destructive” and how Google’s software processes “odd type sizes, unusual fonts or other unexpected peculiarities”).

136. *But see Proskine*, *supra* note 9, at 227 (concluding that a court would find Google’s use of scanned books transformative because Google makes the content of printed books searchable online, so that the copies fulfill the new purpose of locating and retrieving information).

137. 17 U.S.C. § 107(2) (2006).

receive greater protection than factual works, because they are “closer to the core of intended copyright protection.”¹³⁸ Since Google scanned a vast quantity of books, it inevitably scanned both factual and creative works into its database.¹³⁹ Rather than evaluate whether each and every book is creative or factual, the court would likely find that since Google scanned creative material at all, the second factor weighs against fair use.¹⁴⁰

3. Fair Use Factor Three: The Amount and Substantiality of the Works Used by Google Varies, Providing for Uncertain Results

The third fair use factor assesses “amount and substantiality of the portion used in relation to the copyrighted work as a whole.”¹⁴¹ In order for Google to make every book searchable, it is necessary for Google to copy the full text of each book into Google’s digital book database.¹⁴² In considering the copy of each book Google scanned into its database, as well as each whole digitized copy of any book Google provides to that book’s corresponding contributing library,¹⁴³ the court would likely find that Google’s use of entire works weighs against a finding of fair use.¹⁴⁴ However, Google’s ultimate use for the whole copies of books in its database is to copy and display limited previews of the books in the form of snippets, or a few pages of each book, to include in users’ search results.¹⁴⁵ Google’s copying and use of limited portions of the books calls for additional analysis. The court might find that since Google’s ultimate, rather than direct, use of its scanned books is limited, the third factor weighs in favor of a finding of fair use.¹⁴⁶

138. *Campbell*, 510 U.S. at 586. “No one may claim originality as to facts . . . because facts do not owe their origin to an act of authorship.” *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 347 (1991) (citation omitted).

139. *See Proskine*, *supra* note 9, at 227-28.

140. *See Princeton Univ. Press v. Mich. Document Servs.*, 99 F.3d 1381, 1389 (6th Cir. 1996) (holding that material copied from books and sold by the defendant in course packs for college courses was creative, and contrasting the material to telephone listings in finding that the material is not factual); *see also Proskine*, *supra* note 9, at 227-28 (“Due to the fact that Google is scanning and digitizing millions of books ranging from creative to fact-based, different types of works will likely be considered collectively.”).

141. 17 U.S.C. § 107(3).

142. *See Hetcher*, *supra* note 80, at 29-30.

143. Amended Settlement Agreement, *supra* note 4, § 7.2(a).

144. *See Worldwide Church of God v. Phila. Church of God, Inc.*, 227 F.3d 1110, 1118 (9th Cir. 2000) (“While ‘wholesale copying does not preclude fair use per se,’ copying an entire work ‘militates against a finding of fair use.’” (quoting *Hustler Magazine, Inc. v. Moral Majority, Inc.*, 796 F.2d 1148, 1155 (1986))).

145. *See Google Books Perspectives*, *supra* note 14.

146. *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1526-27 (9th Cir. 1992) (“[W]here the ultimate (as opposed to direct) use is limited . . . the [third] factor is of very little weight.”).

4. Fair Use Factor Four: The Effect Upon the Potential Market Weighs in Favor of Google, as Google Books Does Not Act as a Substitute for the Book Market

The fourth factor, “the effect of the use upon the potential market for or value of the copyrighted work,”¹⁴⁷ considers “whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market’ for the original.”¹⁴⁸ A finding of commercial use for the first factor may raise the presumption of a “likelihood of significant market harm.”¹⁴⁹ The cognizable harm is market substitution,¹⁵⁰ meaning the infringing use must amount to more than mere copying of the copyrighted work for commercial use.¹⁵¹

In *Sony v. Universal City Studios, Inc.*,¹⁵² plaintiff producers of movies broadcasted on television sued the defendant manufacturer of home video tape recorders for copyright infringement and contributory copyright infringement via the facilitation of mass copying of television programs by home users.¹⁵³ The Supreme Court held that the practice of “time shifting”¹⁵⁴ presented no meaningful likelihood of future market harm.¹⁵⁵ The Court accepted the district court’s finding that the defendant’s product could aid rather than harm the plaintiffs by increasing the size of original audiences of television programs, and thus also increasing the ratings for those programs.¹⁵⁶

Initially, Google expressed that Google Books would merely catalogue digitized books and direct users to book stores and libraries where they would be able to buy or borrow the books for which they search.¹⁵⁷ Under that plan, Google Books and the widespread adoption

147. 17 U.S.C. § 107(4) (2006).

148. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 590 (1994) (quoting 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05[A][4]). A good example of market substitution is in *A&M Records v. Napster, Inc.*, wherein the Ninth Circuit found that Napster, who provided free digital downloading of music on a website, harmed the market for music recordings by decreasing CD sales and by raising barriers of entry to the plaintiff record companies’ market. 239 F.3d 1004, 1016-17 (9th Cir. 2001). The court’s findings were based on studies performed by a third party. *Id.* The court rejected Napster’s argument that its services promoted CD sales rather than displaced the market for them. *Id.*

149. *Campbell*, 510 U.S. at 590.

150. *See id.* at 591.

151. *Id.* at 591.

152. 464 U.S. 417 (1984).

153. *Id.* at 420-21, 428.

154. “Time shifting” is the practice of recording a television program to watch at a later time. *Id.* at 423.

155. *Id.* at 456.

156. *Id.* at 443, 452-53 & n.38, 454-55.

157. *See Proskine, supra* note 9, at 226.

of similar online book cataloging services presented no potential threat to the market for sales of books, and the fourth factor would have weighed neither for nor against fair use.¹⁵⁸ However, Google now plans to sell digitized copies of the books in its database online.¹⁵⁹ Sales of digitized books online by Google and other retailers, in widespread practice, would expand the market for books due to the ease with which customers could access and purchase copies of books.¹⁶⁰ In addition, the widespread practice of selling digitized books online would create a market for orphan works, which are mostly out-of-print,¹⁶¹ where there was not one before.¹⁶² While Google's use of the digitized books is undeniably commercial and would probably raise the presumption of a likelihood of market harm,¹⁶³ the presumption would be rebuttable because Google's use of its digitized books does not amount to a substitute for the existing market for books.¹⁶⁴ Rather, Google's use of its digitized books enhances the existing market for those books.¹⁶⁵ Similar to the way that the *Sony* Court found that Sony's video tape recorders expanded current markets for television program viewers, Google Books certainly could aid the class action plaintiffs in the copyright infringement action by exposing their books to more readers rather than harm them.¹⁶⁶ An increase in readership would mean an increase in book sales.¹⁶⁷ It appears as though Google Books, in its projected form, could help more than harm the plaintiff rightsholders.

158. The reason for this outcome is that Google Books would not have replaced the need for hard copy books and would merely have organized them in an online catalogue. *See id.* at 230. Widespread adoption of the practice of cataloguing books would still not affect the market for books. *See id.*

159. *See* Amended Settlement Agreement, *supra* note 4, §§ 4.1, 4.2.

160. *See* Brin, *supra* note 35. Amazon's Kindle, a digital book reader, has been so successful that commentators expect it will make \$1 billion for Amazon by this year. Posting of Saul Hansell to Bits Blog, <http://www.bits.blogs.nytimes.com/2008/08/12/the-lessons-from-the-kindles-success/> (Aug. 12, 2008, 03:38 PM). Clearly, consumers are enjoying the market for digital books. *See id.*

161. *See* Darnton, *supra* note 25, at 10.

162. *See* Hausman & Sidak, *supra* note 6, at 421.

163. *See* Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 590-91 (1994).

164. *See* Hausman & Sidak, *supra* note 6, at 431-32.

165. *See id.*

166. *See id.* Google's conduct is distinguishable from the defendant's conduct in *A&M Records v. Napster*. 239 F.3d 1004, 1011 (9th Cir. 2001). *See supra* note 148. While both Google and Napster provided digital versions of products ordinarily available in hard copy, only Napster provided in-copyright works at no cost to users. *Id.*

167. *See* Hausman & Sidak, *supra* note 6, at 431-32.

The fact that about seventy percent¹⁶⁸ of the books scanned and digitized by Google are orphan works for whom authorization for copying would be difficult or impossible to obtain complicates analysis of the fourth factor.¹⁶⁹ The fourth factor considers the harm to *potential* markets for the copyrighted item at issue.¹⁷⁰ It is easy enough for a court to determine the potential harm to the market for in-copyright, in-print books, simply because the market is observable.¹⁷¹ Since the copyright owners of orphan works are by definition unavailable,¹⁷² and most orphan books are out-of-print,¹⁷³ a court might not want to expand or create a market for the sale of orphan books where the rightsholders to those books have not expressed interest in having a market.¹⁷⁴ The idea that expansion and creation of a market for orphan books likely will not benefit most current rightsholders to orphan works is even more concerning. However, the existence of a market for orphan books would undoubtedly benefit rightsholders by generating revenue and readers by providing information;¹⁷⁵ so the fourth factor would probably weigh in favor of fair use.

5. Overall Balancing of the Fair Use Factors: A Tough Call

Google's "opt-out" policy and the existence of the Registry to collect profits for rightsholders would contribute to the overall balancing of the factors in a fair use analysis of Google Books.¹⁷⁶ In *Sony*, the majority and dissent both acknowledged the possibility that an injunction on Sony's production of the video tape recorder would work against the interests of copyright holders who support home recording of

168. See Darnton, *supra* note 25, at 10 (approximating that about seventy percent of books included in Google Books are orphan works); Pamela Samuelson, *Legally Speaking: The Dead Souls of the Google Booksearch Settlement*, 52 COMM. OF ACM, July 2009, at 28, 28 (stating that about seventy percent of the books in Google's database are in-copyright and out-of-print). *But see* Hausman & Sidak, *supra* note 6, at 420 (approximating that forty percent of the books Google has copied are in-copyright and out of print).

169. See Hetcher, *supra* note 80, at 29-30.

170. 17 U.S.C. § 107(4) (2006) (emphasis added).

171. See, e.g., Hansell, *supra* note 160.

172. U.S. COPYRIGHT OFFICE, *supra* note 22, at 15.

173. See Darnton, *supra* note 25, at 10.

174. See Lemley, *supra* note 33 (pointing out that orphan works are often works which "no one has been willing to keep in print or even keep track of").

175. See Hausman & Sidak, *supra* note 6, at 421; Grimmelmann, *supra* note 105, at 5.

176. See Proskine, *supra* note 9, at 232. The Book Rights Registry is an organization established by the settlement agreement to the class action lawsuit. See Amended Settlement Agreement, *supra* note 4, §§ 6.1(c), 6.2. It will operate like a collecting society, as the intermediary between Google and the book rightsholders. See *id.*

their programs.¹⁷⁷ The dissent, which criticized the majority for declining to issue an injunction against Sony in order to avoid frustrating the interests of pro-time-shifting broadcasters, acknowledged the Ninth Circuit's suggestions for remedies for future unauthorized time shifting.¹⁷⁸ The suggested remedies were for Sony to pay royalties to rightsholders who object to use of video tape recorders or implement narrowly tailored technology, such as signal scrambling, to prevent recording of certain programs.¹⁷⁹

For Google's case, a court may find that the option for rightsholders to keep Google from using copies of their books, in combination with the fact that Google will pay the rightsholders, operates in the same manner as the remedies which were suggested by the Ninth Circuit, but rejected by the Supreme Court, in *Sony*.¹⁸⁰ Google provides book rightsholders who do not object to Google's use of their books to enjoy the benefits of being part of Google Books, like increased readership and profits from sales of their books.¹⁸¹ At the same time, rightsholders who object to Google's use of their books can choose not to participate.¹⁸² That Google does not insist upon using every book it copies would likely weigh in favor of a finding of fair use.¹⁸³

Overall, whether Google Books constitutes fair use is difficult to decide. While the third and fourth factors would likely weigh in favor of Google, it would be difficult for a court to get past Google's copying of millions of entire creative works for commercial use. Luckily for Google, it was able avoid adjudication of the fair use issue by settling the lawsuit.¹⁸⁴

177. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 444-46 (1984). For example, Fred Rogers, better known as Mr. Rogers, testified that the ability to record his show, Mr. Rogers' Neighborhood, would benefit the three million families who watch it each day. *Id.* at 445-46 & nn.26-27.

178. *Id.* at 493-94 (Blackmun, J., dissenting).

179. *Id.*

180. See Hausman & Sidak, *supra* note 6, at 431-32.

181. See Amended Settlement Agreement, Authors, *supra* note 4.

182. See Amended Settlement Agreement, *supra* note 4, at § 3.5(a).

183. For Google to relinquish use of a book at a rightsholder's request would negate the need to use fair use as a defense. See 17 U.S.C. § 107 (2006).

184. See Grimmelmann, *supra* note 27, at 12 (noting that Google would have "opened the book search business to anyone" if it prevailed on the fair use issue); Grimmelmann, *supra* note 105, at 10 (noting that the settlement establishes no fair use principles for competitors to draw from); Samuelson, *supra* note 168, at 29 (discussing how Google obtained license to make millions of in-copyright books available on Google Books by settling a lawsuit brought by a small fraction of authors and publishers); Fraser, *supra* note 3 (manuscript at 21) (noting that the settlement leaves Google in a better position than it could have been in without the lawsuit).

III. THE SETTLEMENT AGREEMENT

A. Overview of the Terms

Rather than adhere to a court ruling or injunction, Google's use of the digitized books at issue in the class action lawsuit will likely be governed by a settlement agreement.¹⁸⁵ The class action plaintiffs and Google announced their settlement on October 28, 2009.¹⁸⁶ On November 13, 2009, the parties filed an amended settlement agreement ("Settlement"),¹⁸⁷ which spans 165 pages.¹⁸⁸ The Settlement, which has yet to be approved by the court,¹⁸⁹ releases Google from liability for copying and displaying the plaintiffs' works¹⁹⁰ in exchange for payments to the plaintiffs by Google of sixty dollars per principal work, fifteen dollars per entire insert, and five dollars per partial insert used by Google.¹⁹¹ In addition, the plaintiffs will receive seventy percent of the revenue Google receives for book purchases and advertisements it displays on search result and book display web pages.¹⁹² The Settlement authorizes Google to digitize,¹⁹³ display,¹⁹⁴ sell,¹⁹⁵ and use for advertising¹⁹⁶ any books it obtains. However, rightsholders retain the right to remove or exclude their books or portions thereof from Google Books or request that they be removed.¹⁹⁷ Rightsholders who choose to include their books in Google Books may determine the prices at which their books are sold or allow Google to price the books using an algorithm designed to maximize revenue for each rightsholder.¹⁹⁸

In addition to smoothing out the issues of the lawsuit, the Settlement establishes and charts the Book Rights Registry, which will become a signatory to the Settlement and be obligated to adhere to its

185. See Amended Settlement Agreement, *supra* note 4, arts. XI, XIII, XIV.

186. See Settlement Agreement, *supra* note 20, at 134.

187. Amended Settlement Agreement, *supra* note 4, at 165.

188. See *id.*

189. See *id.* § 17.27.

190. *Id.* § 10.2.

191. *Id.* § 5.1(a).

192. *Id.* § 4.5(a)(i)–(ii).

193. *Id.* § 3.1 (stipulating that Google may digitize and make the initial identification of whether a book is in-copyright and in-print).

194. *Id.* § 3.2 (stipulating that Google may display or not display a book following its initial determination of whether the book is in-copyright and in-print).

195. *Id.* §§ 2.1(a), 4.1, 4.2 (specifying that Google may sell access to books and initially determine prices for the books).

196. *Id.* §§ 2.1(a), 3.10(c)(iii), 3.14 (granting Google the right to display advertisements on preview use pages and on general search results).

197. *Id.* § 3.5 (stating and explaining the right of copyright owners to remove and exclude their books).

198. *Id.* § 4.2(a)–(c).

conditions.¹⁹⁹ The Registry will act as a collecting society, similar to the American Society of Composers, Authors and Publishers (ASCAP) and SoundExchange.²⁰⁰ The Registry will act on behalf of rightsholders, attempt to locate rightsholders, assist in the resolution of disputes between rightsholders, and receive and distribute payments from Google to the rightsholders.²⁰¹ Google and the Registry will share data with one another on the status of copyrights and copyright ownership for books used in Google Books.²⁰²

Numerous scholars and librarians see the terms of the settlement as a method for Google to take advantage of orphan works.²⁰³ A primary concern is that even though the plaintiffs are a sizeable class of similarly-situated individuals,²⁰⁴ the copyright owners of orphan works scanned by Google are nonetheless unrepresented.²⁰⁵ Copyright owners who are aware of both Google Books and the Settlement may negotiate the exposure of their works on Google Books and the prices at which those works will be sold.²⁰⁶ Copyright owners who are not aware that the Settlement affects their interest unknowingly leave Google to decide how their books are used.²⁰⁷ In-copyright books whose rightsholders do not have an agreement with Google will, by default of the Settlement, be available to users for full-text search, limited text preview, limited downloading, copying, and printing, with payments set aside for the books' rightsholders as unclaimed funds.²⁰⁸

199. *Id.* art. VI, § 6.2(c).

200. Grimmelmann, *supra* note 27, at 13.

201. Amended Settlement Agreement, *supra* note 4, § 6.1 (setting forth the functions of the Registry).

202. *See id.* § 6.6(a), (c).

203. *See* Hausman & Sidak, *supra* note 6, at 419 (naming Professors James Grimmelmann, Randal Picker, Robert Darnton, and Pamela Samuelson as academic commentators who "have expressed concerns over the structure of the settlement"); Darnton, *supra* note 25, at 10 (expressing concern that digitization of books by private companies like Google will commercialize and exploit books); Samuelson, *supra* note 168, at 30 (arguing that the settlement is designed to monetize orphan works; comparing Google to a Nikolai Gogol character who buys "dead souls" in order to become a wealthy and influential man); Picker, *supra* note 24, at 10 (arguing that the greatest accomplishment of the settlement is Google's sidestepping of the orphan works problem).

204. *See* Second Amended Class Action Complaint, *supra* note 19, at 1, 3.

205. *See* Picker, *supra* note 24, at 10 (arguing that Google uses the "opt-out" method specifically to gain the right to use orphan works); Samuelson, *supra* note 168, at 30 (expressing concern that the parties to the Settlement are not concerned about the rights of orphan works); Fraser, *supra* note 3 (manuscript at 23) (asserting that the "opt-out" system in combination with the simultaneous nature of the class action settlement provides Google immediate rights to scan, copy, and display all orphan works).

206. Amended Settlement Agreement, *supra* note 4, §§ 3.5, 4.2(b).

207. *See* Grimmelmann, *supra* note 27, at 13-14.

208. Fraser, *supra* note 3 (manuscript at 7).

Google's ability to use books whose copyright owners are not included in the settlement class stems from its unique and controversial "opt-out" system.²⁰⁹ The process of "opting out" is governed by the Settlement's provisions for the "Right to Remove or Exclude."²¹⁰ Copyright owners have until April 5, 2011 to request that their books not be digitized.²¹¹ They may request that their books be excluded from use for display, revenue, and/or annotation at any time.²¹²

How Google and the Registry manage unclaimed funds is governed by the "Unclaimed Funds and Public Domain Funds" section.²¹³ Any revenue collected from books whose rightsholders are unknown to Google or the Registry will be held by the Registry until such rightsholders claim their copyright ownership and funds.²¹⁴ The Registry may reallocate up to twenty-five percent per year of the unclaimed funds that it has held for five years toward operating costs.²¹⁵ Once unclaimed funds have been held for ten years, the Registry may reallocate them to charities for the promotion of literacy.²¹⁶ Such reallocation of funds will permanently deprive orphan works rightsholders of the revenue that their works have generated through Google Books.²¹⁷

B. *The Settlement Is Necessary to the Existence of Google Books*

By settling the class action lawsuit, Google was able to circumvent the conventional method of obtaining licenses to use copyrighted works. Typically, any potential user of a copyrighted work must identify the copyright owner, negotiate for the right to use the work, and obtain a license for use.²¹⁸ Google aims to include over sixty million books in Google Books.²¹⁹ The conventional method of negotiating agreements with individual copyright owners would likely render the endeavor untenable.²²⁰ It would be difficult for Google to obtain full licenses from all rightsholders of books it wishes to include in Google Books, even if

209. See Proskine, *supra* note 9, at 219 (discussing the opt-out strategy).

210. Amended Settlement Agreement, *supra* note 4, § 3.5.

211. *Id.* § 3.5(a)(iii).

212. *Id.* § 3.5(b)(i).

213. *Id.* § 6.3.

214. *Id.* § 6.3(a)(i)(1).

215. *Id.* § 6.3(a)(i)(2).

216. *Id.* § 6.3(a)(i)(3).

217. See Samuelson, *supra* note 168, at 29.

218. Hearings, *supra* note 68, at 3 (comments of Howard Coble, Member, H. Subcomm. on Courts, the Internet, and Intell. Prop.); U.S. COPYRIGHT OFFICE, *supra* note 22, at 15.

219. Hetcher, *supra* note 80, at 8.

220. See Proskine, *supra* note 9, at 218-19.

it offered boilerplate license agreements to rightsholders.²²¹ Furthermore, the process would involve unworkably high transaction costs.²²²

Google proceeded to scan, digitize, and copy books through the Library Partner Program without attempting to contract with rightsholders beforehand to obtain rights and licenses to copy in-copyright books and display portions of them on its website.²²³ In doing so, Google reversed the default copyright agreement arrangement by shifting the burden to rightsholders to assert their rights.²²⁴ Satisfying this assertion could mean opting out²²⁵ or filing a class action against Google for copyright infringement.²²⁶

By settling the class action lawsuit for its use of millions of in-copyright books, Google was able to make a simultaneous agreement with the class of plaintiffs to the settlement for the use of their in-copyright books, as well as all others.²²⁷ The collective nature of the lawsuit increases the economic efficiency of Google Books,²²⁸ because the Settlement determines the initial prices²²⁹ at which all the digitized books may be sold, eliminating the need for Google to negotiate a pricing agreement with the rightsholder to each book.²³⁰

C. *The Settlement Is Necessary for Google to Use Orphan Works*

By November 2008, about seventy percent of the seven million books Google digitized were in-copyright, but out-of-print.²³¹ Only about fifteen percent of the digitized books were in-copyright and in-print.²³² A large percentage of Google's digitized books are likely orphan works.²³³ Due to this realization, "Google would fall extremely short of its goal to make 'the full text of all the world's books searchable by anyone'" if it had to request the permission of copyright owners to

221. See Picker, *supra* note 24, at 22.

222. See Proskine, *supra* note 9, at 218-19.

223. See Burk, *supra* note 105, at 717.

224. See *id.*; Hetcher, *supra* note 1, at 67.

225. See Burk, *supra* note 105, at 717.

226. See Second Amended Class Action Complaint, *supra* note 19, at 17.

227. Fraser, *supra* note 3 (manuscript at 13).

228. Hausman & Sidak, *supra* note 6, at 427.

229. This is accomplished through use of an algorithm. Amended Settlement Agreement, *supra* note 4, § 4.2(c).

230. See Hausman & Sidak, *supra* note 6, at 427.

231. See Darnton, *supra* note 25, at 10. "Of the seven million books that Google reportedly had digitized by November 2008, one million are works in the public domain; one million are in copyright and in print; and five million are in copyright but out of print." *Id.*

232. *Id.*

233. See *id.*

scan the works and subsequently exclude orphan works from Google Books.²³⁴

The “opt-out” system established by the Settlement, in combination with its class action nature, conveniently allows Google to sidestep the problem of orphan works.²³⁵ It eliminates the need for Google to pursue rightsholders in order to use their books, and the books of all rightsholders who are not named plaintiffs in the Settlement are provided for in the Settlement.²³⁶ This arrangement safeguards the Settlement against the orphan book rightsholders who turn up later and seek to exert their rights, because they cannot reverse the default “opt-out” system which will already have put those rightsholders’ books to use.²³⁷ However, commentators predict that most orphan book rightsholders will never opt out.²³⁸

Interestingly, the existence of the opportunity for rightsholders to opt out seems to undermine Google’s fair use defense.²³⁹ Google would not be obliged to allow rightsholders to opt out of Google Books if Google’s use of the books was fair.²⁴⁰ Regardless of whether Google’s use of the books is fair or not, Google successfully utilized fair use as a defense for long enough to placate the class action plaintiffs into settling the suit.²⁴¹ In the end, the combination of fair use and the “opt-out” system will allow Google to maximize the number of books it can include in Google Books.²⁴²

D. Concerns of a Monopoly

Legal and economic scholars have expressed concern that the terms of the Settlement endow Google with a constructive monopoly²⁴³ over both orphan works and the overall market for digitized books.²⁴⁴ Even

234. See Proskine, *supra* note 9, at 219 (quoting Posting of Adam M. Smith to Google Blog, <http://googleblog.blogspot.com/2005/08/making-books-easier-to-find.html> (Aug. 11, 2005, 01:31 PM PDT)).

235. Picker, *supra* note 24, at 10.

236. See Amended Settlement Agreement, *supra* note 4, § 1.13 (defining the “Amended Settlement Class” to be “all Persons that, as of January 5, 2009, have a Copyright Interest in one or more Books or Inserts.”).

237. See Grimmelmann, *supra* note 105, at 9.

238. See *id.*

239. See Hetcher, *supra* note 80, at 13.

240. *Id.*

241. See Grimmelmann, *supra* note 105, at 10.

242. See *id.* at 9.

243. See Darnton, *supra* note 25, at 11. The monopoly is constructive because Google attains it incidentally and does not seek to monopolize. See *infra* Part IV.A.

244. Hausman & Sidak, *supra* note 6, at 419, 433, 435; see, e.g., Samuelson, *supra* note 168, at 30 (arguing that the settlement “give[s] Google a monopoly on the largest digital library of books in

though Google did not intend to create a monopoly in initiating Google Books, the cost of funding a digitized book library in combination with the terms of the Settlement and its class action character make Google “invulnerable to competition.”²⁴⁵ Thereby, Google will incidentally acquire a constructive monopoly over digitized books.²⁴⁶ The seeming inability of other entities to compete with Google in the market for digitized books has spurred concerns that Google will abuse its pricing power by charging excessively high prices for Google Books services.²⁴⁷

It would be difficult or impossible for a competitor to attain access to and fund the scanning of as many books as Google has accessed and scanned.²⁴⁸ This difficulty is exemplified by efforts of Google’s competitors to establish their own digital book databases. Microsoft ended its own book digitization program in 2009.²⁴⁹ In 2005, Yahoo! initiated a project to digitize books in the public domain and books whose rightsholders give Yahoo! permission.²⁵⁰ Also in 2005, Amazon announced the “Amazon Pages” program to sell select licensed books in their entirety or by the page.²⁵¹ Notably, neither Yahoo! nor Amazon has been able to acquire the array of books that Google has because they are careful to abide by copyright law and have not entered a simultaneous agreement with a large percentage of the rightsholders to all books by way of a class action settlement.²⁵²

the world”); *see also* Picker, *supra* note 24, at 25 (expressing concern that a final fairness hearing will not properly address the numerous antitrust issues of the settlement); Fraser, *supra* note 3 (manuscript at 23-24) (arguing that the settlement gives Google a monopoly over orphan works, as potential entrants to the orphan works market must depend upon legislation, an agreement with the Registry, or another class action lawsuit). *But see* Lemley, *supra* note 33 (arguing that Google does not have a monopoly over digitized books or over orphan works).

245. Darnton, *supra* note 25, at 11.

246. *Id.*

247. *See* Hausman & Sidak, *supra* note 6, at 422-24. One concern is that Google will charge discriminatory prices for its digitized books. *Id.* Price discrimination is the practice of charging different consumers different prices for identical goods in order to increase output and consumer welfare. *Id.* Hausman and Sidak believe that Google is unlikely to practice price discrimination for Google Books. *Id.* A different concern is that the use of the pricing algorithm outlined in the Settlement will produce higher costs than a decentralized competitive market. Picker, *supra* note 24, at 17.

248. Grimmelmann, *supra* note 27, at 14-15 (arguing that “you can’t actually just go out and do what Google has done,” and asserting that Google may have established a scanning monopoly). *But see* Hausman & Sidak, *supra* note 6, at 422-23 (arguing that Yahoo! and Amazon have sufficient funds to compete with Google, “alone or as a joint venture”).

249. Darnton, *supra* note 25, at 11.

250. Proskine, *supra* note 9, at 220.

251. *Id.* Amazon’s Kindle is a digital reader on which users can download and read novels, but not academic and scholarly works, like those Google plans to feature in Google Books. Fraser, *supra* note 3 (manuscript at 12).

252. *See* Darnton, *supra* note 25, at 11 (“If the settlement is upheld by the court, only Google will be protected from copyright liability.”).

It would be difficult or impossible for a competitor to replicate the terms of Google's class action settlement agreement.²⁵³ The Settlement covers most owners of copyrights to books in the United States, so it essentially gives Google the go-ahead to use any in-copyright book in the United States whose rightsholder has not opted out of the agreement.²⁵⁴ To replicate these terms would involve a competitor of Google proceeding in copying books so as to incur a copyright infringement suit, then hoping that the plaintiffs are a representative class willing to settle on terms as generous to the defendant as those in Google's settlement.²⁵⁵ The alternative is to attempt to contract with every rightsholder for licenses to use the books,²⁵⁶ a task made nearly impossible by the orphan works problem.²⁵⁷

IV. DEALING WITH COMPETITORS AND ANTITRUST CONCERNS

A. *An Essential Facilities Analysis*

The constructive monopolies, which the Settlement provides Google over orphan works, and the digitized book market raise the question of whether competitors to Google may access its database of digitized books by suing Google under the essential facilities doctrine.²⁵⁸ Courts may use the essential facilities doctrine to impose upon "the owner of a facility that cannot reasonably be duplicated and which is essential to competition in a given market a duty to make that facility available to its competitors on a nondiscriminatory basis."²⁵⁹ A plaintiff

253. See Grimmelmann, *supra* note 27, at 14 (arguing that a competitor would need the same "magic device of the class action" that Google takes advantage of in order to enter the digitized book market); Grimmelmann, *supra* note 105, at 10 (questioning whether plaintiffs would be as inclined to file a class action suit and settle on comparable terms to those of the Google settlement for a second-comer); Fraser, *supra* note 3 (manuscript at 23) (noting another class action lawsuit would be a means of a potential entrant gaining access to the orphan works market); Samuelson, *supra* note 168, at 30 (discussing the slim chance that a competitor of Google could prevail under a fair use analysis in a suit or settle on terms equivalent or similar to those of Google).

254. Darnton, *supra* note 25, at 11.

255. See *id.*; Grimmelmann, *supra* note 105, at 10.

256. Darnton, *supra* note 25, at 11.

257. See *supra* Part III.B (discussing the difficulty of contracting with the rightsholders for all the books included in Google Books for license to use the books).

258. See Lemley, *supra* note 33 (raising the point that antitrust law is "unsympathetic to claims that the plaintiff shouldn't have to build its own plant in order to compete with one the defendant just built," and that the essential facilities doctrine is the exception which is rarely used and much criticized); Posting of Brett Frischmann, *supra* note 30 (questioning whether Google's digitized book database is an essential facility).

259. *Ferguson v. Greater Pocatello Chamber of Commerce, Inc.*, 848 F.2d 976, 983 (9th Cir. 1988). Essential facilities doctrine was first used by the Supreme Court to force several railroad companies who controlled a terminal in St. Louis, where twenty-four railway lines converge, to

asserting a claim under the essential facilities doctrine must show the fulfillment of four elements to prevail on the claim: “(1) control of the essential facility by a monopolist; (2) a competitor’s inability practically or reasonably to duplicate the essential facility; (3) the denial of use of the facility to a competitor; and (4) the feasibility of providing the facility.”²⁶⁰ A firm’s failure to comply with a court-ordered imposition to make the facility at issue available to its competitors constitutes a violation of the Sherman Antitrust Act as a restraint of trade or the creation of a monopoly.²⁶¹

In an essential facilities analysis in *Verizon Communications Inc. v. Law Offices of Curtis V. Trinko, LLP*,²⁶² the Supreme Court stated that a violation of section 2 of the Sherman Antitrust Act requires intent.²⁶³ The Court declared:

[T]he mere possession of monopoly power, and the concomitant charging of monopoly prices, is not only not unlawful; it is an important element of the free-market system. . . . To safeguard the incentive to innovate, the possession of monopoly power will not be found unlawful unless it is accompanied by an element of anticompetitive conduct.²⁶⁴

In *Pacific Bell Telephone Co. v. LinkLine Communications, Inc.*,²⁶⁵ the Supreme Court held that an entity which has no duty to deal with its rivals and does not practice predatory pricing also “has no obligation to

allow their competitors to access the terminal. See *United States v. Terminal R.R. Ass’n of St. Louis*, 224 U.S. 383, 395-99, 409-12 (1912) (holding that the railroads’ refusal of use of their exclusively-controlled terminal to competitors constituted an undue restraint on interstate commerce and a violation of the Sherman Antitrust Act).

260. *MCI Commc’ns Corp. v. AT&T Co.*, 708 F.2d 1081, 1132-33 (7th Cir. 1983).

261. See *id.* at 1132. Section 1 of the Sherman Antitrust Act makes “restraint of trade or commerce among the several States” a felony. 15 U.S.C. § 1 (2006). Section 2 of the Sherman Antitrust Act makes monopolization or attempted or conspired monopolization over “any part of trade or commerce among the several States” a felony. *Id.* § 2. The U.S. District Court for the Southern District of New York views the essential facilities doctrine as “a label that may aid in the analysis of a monopoly claim.” *Viacom Int’l Inc. v. Time Inc.*, 785 F. Supp. 371, 376 n.12 (S.D.N.Y. 1992).

262. 540 U.S. 398 (2004).

263. *Id.* at 410 (holding that “Verizon’s alleged insufficient assistance in the provision of service to rivals is not a recognized antitrust claim” under existing refusal-to-deal precedent).

264. *Id.* at 407. The Court used the circumstances of *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, wherein the defendant refused to renew a longstanding cooperative agreement to sell joint ski tickets even if the plaintiff compensated the defendant at retail price, as an example of anticompetitive conduct. *Id.* at 408-10 (citing *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585, 587-94 (1985)). Predatory pricing is a type of anticompetitive conduct. See *Pac. Bell Tel. Co. v. LinkLine Commc’ns, Inc.*, 129 S. Ct. 1109, 1118 (2009).

265. 129 S. Ct. at 1109.

deal under terms and conditions favorable to its competitors.”²⁶⁶ Therefore, in order to assert a successful essential facilities claim, a plaintiff must show that the defendant desired to create a monopoly and acted upon that desire by implementing anticompetitive conduct or pricing.²⁶⁷

Considering the difficulty of creating a database of digitized books,²⁶⁸ it is completely plausible that a competitor of Google could assert an essential facilities claim against Google. An analysis of the four elements of an essential facilities claim alone would indicate that the competitor would prevail.²⁶⁹ However, the application of the doctrine by courts in recent cases makes it more likely that Google would succeed in defending itself against an essential facilities claim.²⁷⁰

The first of the four elements of an essential facilities claim is control of the essential facility by a monopolist.²⁷¹ To fulfill the first element, in Google’s case, a plaintiff would have to prove that the digitized book database is an essential facility and that Google is a monopolist. The first half of the analysis is straightforward enough—a digitized book library is essential in order for an entity to enter the market for digitized books.²⁷² Fulfillment of the second half is more difficult to show. Upon approval of the Settlement, Google will have a constructive monopoly over the market for digitized books simply because it is the only known, rightful holder of a massive database of digitized books.²⁷³ This incidental type of monopoly alone will not fulfill the plaintiff’s burden,²⁷⁴ even if Google decides to charge monopoly prices.²⁷⁵ Consistent with the holding of *Verizon*, the plaintiff would have to show some element of intent to monopolize on Google’s part.²⁷⁶ This would be a difficult task, since no terms of the Settlement aim to restrain competition or indicate intent to monopolize.²⁷⁷ Google

266. *Id.* at 1119. It is worth noting that the Supreme Court has not adopted the essential facilities doctrine. *Verizon*, 540 U.S. at 410-11 (2004).

267. *See Verizon*, 540 U.S. at 407; *Pac. Bell*, 129 S. Ct. at 1119.

268. *See* Grimmelmann, *supra* note 27, at 14-15.

269. *See* MCI Commc’ns Corp. v. AT&T Co., 708 F.2d 1081, 1132-33 (7th Cir. 1983).

270. *See Verizon*, 540 U.S. at 410-11; *Pac. Bell*, 129 S. Ct. at 1119.

271. *MCI*, 708 F.2d at 1132-33.

272. *See* Hausman & Sidak, *supra* note 6, at 435.

273. *See* Darnton, *supra* note 25, at 11; Grimmelmann, *supra* note 27, at 14.

274. *See* Lemley, *supra* note 33.

275. *See Verizon*, 540 U.S. at 407, 409.

276. *See id.*

277. *See generally* Amended Settlement Agreement, *supra* note 4 (containing provisions regarding benefits to rightsholders, Google’s obligations, Google’s use of books, establishment of the Book Rights Registry, cooperation of participating libraries, security, and dispute resolution, and containing no provisions regarding third parties or competitors); Lemley, *supra* note 33 (arguing that the Settlement contains no provisions for anticompetitive conduct).

would have to implement predatory pricing or exhibit some sort of anticompetitive conduct once it carries out the terms of the Settlement in order for a plaintiff to prevail on the first element of the claim, or at all.²⁷⁸

The second element of an essential facilities claim is a competitor's inability to practically or reasonably duplicate the essential facility.²⁷⁹ As explained in Part III.B of this Note, duplication of Google's digitized book database would be exceedingly time consuming and costly,²⁸⁰ and it would be difficult to access the same type and quantity of books.²⁸¹ Furthermore, for a competitor to attempt to accumulate a digitized book database along with the rights to use its digitized books the way Google did, the competitor would have to incur a lawsuit and may not settle with the books' rightsholders on terms similar to Google's.²⁸² Google has spent eight years to date accumulating its digitized book collection,²⁸³ and the settlement giving Google the rights to use those books is still pending.²⁸⁴ Given these circumstances, it is safe to say that the collection of millions²⁸⁵ of digitized books as an essential facility cannot reasonably or practically be duplicated.²⁸⁶

The third element is denial of use of the essential facility to a competitor.²⁸⁷ For the purposes of this analysis, Google's denial of use of the essential facility to a competitor must be assumed. Thereby, the third element of an essential facilities claim would be fulfilled.

The fourth element is the feasibility of providing the facility.²⁸⁸ The transaction cost of transferring digitized copies of books approaches zero,²⁸⁹ so it should not be exceedingly expensive for Google to provide its digitized books to competitors. Google's plans to make the digitized books available for web users to download shows that copies of the books can be transferred easily.²⁹⁰ The existence of a MFN clause in the

278. See *Verizon*, 540 U.S. at 407. A plaintiff's best argument for a claim of predatory pricing would likely concern the algorithm the Registry will use to maximize profits for the rightsholders. Amended Settlement Agreement, *supra* note 4, § 4.2(c)(ii)(2). Google will have to be careful in its formulation of that algorithm to avoid antitrust liability. See *Picker*, *supra* note 24, at 17.

279. *MCI Commc'ns Corp. v. AT&T Co.*, 708 F.2d 1081, 1132 (7th Cir. 1983).

280. See *Grimmelmann*, *supra* note 27, at 14-15 (arguing that "you can't actually just go out and do what Google has done."); see also *supra* Part III.B.

281. See *Grimmelmann*, *supra* note 27, at 14-15; see also *supra* Part III.B.

282. See *Grimmelmann*, *supra* note 27, at 14-15; see also *supra* Part III.B.

283. See *About Google Books*, *supra* note 2.

284. See *Amended Settlement Agreement*, *supra* note 4, § 17.27.

285. *Darnton*, *supra* note 25, at 10.

286. See *Hausman & Sidak*, *supra* note 6, at 435.

287. *MCI Commc'ns Corp. v. AT&T Co.*, 708 F.2d 1081, 1133 (7th Cir. 1983).

288. *Id.*

289. *Fraser*, *supra* note 3 (manuscript at 15).

290. See *Amended Settlement Agreement*, *supra* note 4, §§ 4.2(a), 4.7(b).

initial settlement agreement, detailing how the Registry may price licenses to third parties for use of the digitized books, shows that the books are easy enough to provide to others that Google was prepared to set up a systematic way of doing so.²⁹¹ A plaintiff, therefore, would probably have no problem showing fulfillment of the fourth element.

While the analysis of the four elements of an essential facilities claim yields a result that seems to weigh in favor of a plaintiff because three of the four can be fulfilled easily, there is little chance that a plaintiff in an essential facilities claim against Google could prevail. The Supreme Court made it clear in *Verizon* and *Pacific Bell* that the essential facilities doctrine should not be construed so as to discourage entrepreneurship or to override the general concept that businesses are free to deal with whomever they choose.²⁹² That Google's monopoly over digitized books would not be illegal under the Sherman Antitrust Act, because intent to monopolize is lacking, is a significant point that a court would be hesitant to overlook.²⁹³ The Supreme Court's disfavoring of judicial interference with private business matters via the essential facilities doctrine²⁹⁴ increases the likelihood that a trial court would decline to impose the doctrine upon Google. Overall, the difficulty or inability of competitors to build digitized libraries like Google's is not enough for a court to compel Google to share its digitized books, absent a showing that Google has violated the Sherman Antitrust Act.

B. *The Importance of a Most-Favored-Nation Clause*

The first version of the Settlement contained a provision which saved the agreement from violating the Sherman Antitrust Act.²⁹⁵ That provision was a MFN clause, which stipulated that the Registry could not contract with third parties for pricing arrangements with copyright owners, better than those which Google has with the respective copyright owners, for ten years.²⁹⁶ The MFN clause was a major point of concern and criticism on the part of opponents to the Settlement, who

291. See Settlement Agreement, *supra* note 20, § 3.8(a).

292. See *Pac. Bell Tel. Co. v. LinkLine Commc'ns, Inc.*, 129 S. Ct. 1109, 1119 (2009); *Verizon Commc'ns, Inc. v. Law Offices of Curtis V. Trinko, LLP*, 540 U.S. 398, 407-08 (2004).

293. See *supra* Part IV.A.

294. See *Verizon*, 540 U.S. at 407-08.

295. See Settlement Agreement, *supra* note 20, § 3.8(a).

296. *Id.* MFN clauses are used by original entrants into a market to limit entry into that market. Hausman & Sidak, *supra* note 6, at 429. The motive behind using an MFN clause could be for the original entrant to make entering the market a worthwhile investment or to ensure subsequent entrants do not "take a free ride on the investments of the original entrant." *Id.*

argued that it gave Google too much market power.²⁹⁷ The MFN clause does not appear in the amended settlement agreement.²⁹⁸

Proponents of the original settlement agreement relied upon the MFN clause to argue that Google will not have a monopoly over digitized books, and namely orphan works, because the MFN clause was proof that the Registry could contract with third parties for use of Google's digitized books.²⁹⁹ The clause served as evidence that Google did not possess the intent to monopolize that is required for liability under the Sherman Antitrust Act.³⁰⁰ The Court in *Verizon* identified unavailability of the facility as the indispensable requirement for an essential facilities claim.³⁰¹ It stated, "where access exists, the doctrine serves no purpose."³⁰² The MFN clause in the original settlement agreement allowed access by competitors to Google's digitized book collection to exist.³⁰³ Without the MFN clause, the Settlement no longer indicates whether the Registry may contract with third parties.³⁰⁴ Thus, Google's plans according to the Settlement are now more vulnerable to attack under antitrust law, because it will be easier under the new terms for a plaintiff to show that access is not feasible and that Google intends to establish a monopoly by barring the entrance of competitors into the digitized book market.

The MFN clause should not have been removed from the Settlement. Despite the controversy it caused, MFN clauses are legal

297. See Grimmelmann, *supra* note 27, at 15 (identifying the MFN clause as the settlement's "most pressing problem," and arguing that it should be removed); Picker, *supra* note 24, at 19-22 (arguing that the MFN clause gives Google too much market power, and suggesting that it be modified to make dealing with competitors more symmetrical). *But see* Hausman & Sidak, *supra* note 6, at 429 (arguing that MFN clauses yield procompetitive results).

298. See generally Amended Settlement Agreement, *supra* note 4 (containing no clause reserving more favorable terms of use of digitized books for Google or terms which otherwise demonstrate intent to limit the entrance of competitors to the market for digitized books).

299. See, e.g., Hausman & Sidak, *supra* note 6, at 430-31. Professors Hausman and Sidak argue that the MFN clause's stipulation that third parties could not attain better terms for use of the books than Google's terms would not deter the entry of those third parties into the market, and that the plaintiffs to the settlement would benefit from licensing use of their books to the third parties. *See id.* They also consider that Google could benefit from a market expanded by competition. *See id.*; see also Lemley, *supra* note 33 (arguing that the terms of the MFN clause in the original settlement agreement were not unreasonable).

300. See Lemley, *supra* note 33.

301. *Verizon Commc'ns, Inc. v. Law Offices of Curtis V. Trinko, LLP*, 540 U.S. 398, 411 (2004).

302. *Id.* The Court went on to hold that since access to Verizon's service could be regulated by the government, access could be provided for under federal law. *Id.*

303. See Settlement Agreement, *supra* note 20, § 3.8(a).

304. See generally Amended Settlement Agreement, *supra* note 4 (containing no clause reserving more favorable terms of use of digitized books for Google or terms which otherwise demonstrate intent to limit the entrance of competitors to the market for digitized books).

unless they unreasonably restrain competition.³⁰⁵ Whether a MFN clause unreasonably restrains competition is a fact-specific inquiry.³⁰⁶ Google's MFN clause prohibited the Registry from contracting with third parties for terms that would not "disfavor or disadvantage" Google for ten years.³⁰⁷ The language of the clause gave the Registry the option to deal with competitors for terms equal to Google's terms, which does not seem unreasonable,³⁰⁸ even for the decade-long effect. Given that the MFN clause was likely not problematic under antitrust law, and it provided certainty as to how Google planned to have the Registry deal with competitors, it helped more than hurt the Settlement, and should not have been removed. Since the Registry will have its own charter,³⁰⁹ Google may still have the opportunity to implement an MFN clause by including it in the charter for the Registry.

V. THE BOOK RIGHTS REGISTRY AS A PARTIAL SOLUTION TO THE PROBLEM OF ORPHAN WORKS IN THE UNITED STATES

If Google includes a MFN clause in the charter for the Registry or implements some other method of contracting with third parties for licenses to use Google's digitized books, Google Books and the Registry can help resolve the problem of orphan works for books in the United States.³¹⁰ After several attempts, Congress has not been able to enact legislation to remedy the problem of orphan works.³¹¹ In its 2006 Report on Orphan Works, the Copyright Office recommended the establishment of privately-run databases as a solution to the orphan works problem,³¹² and further recommended that different databases exist for different types of works.³¹³ The Registry created by the Settlement will be a partial solution to the problem of orphan books, and would operate in a

305. *Blue Cross & Blue Shield of Ohio v. Klein*, 117 F.3d 1420 (6th Cir. 1997) (unpublished table decision). Courts have held that MFN clauses which help buyers bargain for lower prices are consistent with conduct that antitrust laws encourage. *See Blue Cross & Blue Shield United of Wis. v. Marshfield Clinic*, 65 F.3d 1406, 1415 (7th Cir. 1995).

306. *Blue Cross*, 117 F.3d 1420.

307. Settlement Agreement, *supra* note 20, § 3.8(a).

308. *See Lemley*, *supra* note 33. It was especially not unreasonable considering Google's plan to implement an algorithm to maximize profits for the rightsholders. Amended Settlement Agreement, *supra* note 4, § 4.2(c)(ii)(2). If the competitors and Google were to sell access to the digitized books at the optimal rates established by the algorithm, Google, the competitors, and the rightsholders should be satisfied. *But see Fraser*, *supra* note 3 (manuscript at 12-14) (describing the arrangement for the Registry to contract with all providers of digitized books as cartel-like).

309. *See Amended Settlement Agreement*, *supra* note 4, §§ 6.1(g), 6.2.

310. *See supra* Parts II.A, IV.B.

311. *See supra* Part II.B.

312. U.S. COPYRIGHT OFFICE, *supra* note 22, at 104.

313. *See id.* at 10.

manner consistent with the recommendations of the Copyright Office. The Registry will help locate rightsholders to orphan books, make orphan works more accessible for potential users, and promote use of creative works in the manner intended by copyright law.

The existence of Google Books and the Registry will likely lure rightsholders of orphan books forward to claim their rights and their royalty payments.³¹⁴ Once a book's rightsholder is identified, that book will no longer be an orphan.³¹⁵ Along with identifying themselves, the rightsholders will be able to bargain with Google, and any competitors with whom the Registry has contracted, for how the digitized books are used and priced through the Registry.³¹⁶

As a place where information on book rightsholders and their whereabouts is kept, the Registry can operate as the privately-run entity recommended by the Copyright Office in its Report.³¹⁷ With this information available to potential users of formerly orphaned books, those individuals will be able to use those books with the permission of their respective copyright owners in the manner intended by copyright law.³¹⁸ Additionally, as currently orphaned books move into the public domain and the Registry keeps track of as many new and existing copyrighted books as possible, the orphan works problem for books is bound to diminish.³¹⁹

The availability of orphan works by Google, and potentially by competitors who may contract with the Registry for use of Google's digitized copies of orphan books, will give those books a market they previously could not enjoy.³²⁰ Many of the orphan works in Google's digitized book database are scholarly works.³²¹ Google's inclusion of those works in Google Books makes them available to scholars and researchers everywhere, and not just to those scholars and researchers who live near large cities and universities where hard copies of the scholarly works are kept, or those who have the resources to travel to

314. Hausman & Sidak, *supra* note 6, at 428; *see also* Samuelson, *supra* note 168, at 29 (stating that the Registry is expected to attract authors and publishers of books published after those encompassed by the settlement); Lemley, *supra* note 33 (noting that "since rightsholders can make money through Book Search or other services licensed by the Registry, they have a good reason to come forward").

315. *See* U.S. COPYRIGHT OFFICE, *supra* note 22, at 15.

316. *See* Samuelson, *supra* note 168, at 29; Lemley, *supra* note 33.

317. U.S. COPYRIGHT OFFICE, *supra* note 22, at 104 (recommending a privately-run registry over a government-run registry).

318. *See id.* at 15.

319. *See id.*; *see also supra* Part II.B (discussing the Copyright Office's recommendation of registries as a solution to the orphan works problem).

320. *See* Lemley, *supra* note 33.

321. Hausman & Sidak, *supra* note 6, at 421.

those cities and universities.³²² With digitized books available online, those scholars and researchers can purchase the books they need instead of travelling to find them.³²³

Some scholars and commentators fear that Google will exploit its unique propriety of orphan books by charging excessively high prices for their use.³²⁴ By the nature of economics, the entity which introduces a new good to the market will enjoy a greater share of the profits than its subsequent competitors.³²⁵ However, competition is bound to decrease prices.³²⁶ If the cost of using the orphan works on Google Books is high initially, the entrance of competitors to the market will cause those prices to decline,³²⁷ as long as the Registry is capable of contracting with third parties.³²⁸ If the Registry is not capable of contracting with third parties, then rapacious pricing methods, in combination with refusals to deal with competitors, could make Google vulnerable to antitrust liability, which would lead to court-mandated reforms resulting in decreased prices.³²⁹ Therefore, the constructive monopoly over orphan works created by the Settlement is not unfair to consumers or competitors.

The constructive monopoly over orphan books created by the Settlement is also not unfair to orphan works copyright owners. The Settlement provides for orphan works rightsholders who turn up within a reasonable time to be recompensed for Google's use of their books.³³⁰ Google has made, and plans to continue making, reasonable efforts to notify rightsholders of its use of their books and their ability to earn revenues.³³¹ For those who do not assert their rights, there is not much else that can be done.³³² Because they are unaware of their status as rightsholders or neglect that status, the profits those rightsholders do not gain for their works being part of Google Books are analogous to the

322. *See id.* at 421.

323. *See id.*

324. *See, e.g.,* Darnton, *supra* note 25, at 10.

325. *See* Hausman & Sidak, *supra* note 6, at 416.

326. *See id.* at 416.

327. *See id.*

328. *See supra* Part IV.B (discussing the benefits of a MFN clause).

329. *See supra* Part IV.B.

330. *See* Amended Settlement Agreement, *supra* note 4, § 6.3(a)(i).

331. *Id.* § 6.1(c); *e.g.,* S. DIST. OF N.Y., U.S. DIST. COURT, SUPPLEMENTAL NOTICE TO AUTHORS, PUBLISHERS AND OTHER BOOK RIGHTSHOLDERS ABOUT THE GOOGLE BOOK SETTLEMENT, http://www.googlebooksettlement.com/r/view_notice (follow "Supplemental Notice" hyperlink); S. DIST. OF N.Y., U.S. DIST. COURT, UPDATED SUMMARY NOTICE: NEW OPT-OUT/OBJECTION DEADLINE IS SEPTEMBER 4, 2009, http://www.googlebooksettlement.com/r/view_notice (follow "Original Summary Notice" hyperlink).

332. *See* Grimmelmann, *supra* note 105, at 9-10.

profits the rightsholders would or do lose when potential users of their works cannot locate them, regardless of the existence of Google Books. Either way, those rightsholders are not making money. At least Google Books will expose the genius of the orphan works to the public in the way intended by copyright law, even if the financial rewards which were supposed to incentivize the creation of those works, are not realized by the rightsholders.³³³

VI. CONCLUSION

The concerns expressed by scholars and commentators about the power the Google Book Search Settlement endows Google over the digitized book market, and particularly over orphan works, are well-warranted. There is no denying that Google's method of scanning in-copyright books from libraries without permission from the copyright owners and with the expectation that the copyright owners assert their rights to save Google the trouble of contracting with each one was a brazen move. In scanning the books and settling the lawsuit that followed, Google has been able to defy conventional, long-standing understandings of how copyright law should function because it proceeded to copy in-copyright works without licenses or permission from rightsholders, and then attained the necessary licenses and permission by settling one massive lawsuit. Not all of the rightsholders, specifically orphan works rightsholders, to books Google has scanned, were plaintiffs to the lawsuit, but the rights for Google to use their works are nonetheless provided for in the Settlement. Orphan works likely comprise a high percentage of Google's digitized book database, so Google did not need to bargain with a substantial proportion of potential plaintiffs to the class action lawsuit. Google's behavior is unprecedented in copyright law and, because the lawsuit against Google will settle, it leaves no precedent behind. Concern for orphan works rightsholders and subsequent entrants to the market for digitized books is by all means understandable.

What the opponents to the Google Book Search Settlement fail to realize is the potential for the Settlement to remedy their concerns for orphan works and competition in the digitized book market once it is implemented. The expansion of terms of copyright protection and the elimination of formalities for attaining a copyright have made keeping

333. See U.S. CONST. art. I, § 8, cl. 8; *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984); see also *supra* Part II.A (discussing the legal consequences of the orphan works problem; that creative works are not being disseminated in the manner intended by copyright law).

track of copyright owners increasingly difficult and have led to the orphan works problem. Congress and the U.S. Copyright Office have contemplated and attempted remedies for the orphan works problem, but the U.S. government has been unable to implement a feasible legislative or administrative solution. The Copyright Office's best proposition is for private entities to establish databases to keep track of copyright owners. The Google Book Search Settlement provides for the fulfillment of that proposition for the orphan works problem as it applies to books in the United States by establishing the Book Rights Registry. While the Settlement's opponents fear that Google's use of orphan works is unfair, they overlook that Google's use of those works may lead to a near elimination of the orphan works problem for books.

Once it is established, the Book Rights Registry may initiate a competitive market for digitized books, and namely orphan books, rather than ensure that only Google can provide in-copyright digitized books to consumers. However, the freedom of the Registry to contract with third parties must be established first. If the Registry is not free to contract with third parties, the Registry and Google run the risk of incurring antitrust liability if they demonstrate any intent to form a monopoly through predatory pricing or barring entry into the market.³³⁴ In order to stimulate the market for digitized books and reduce the risk of the Registry and Google incurring antitrust liability, the Settlement or the charter for the Registry should include some measure to authorize the Registry to contract with third parties. A MFN clause similar to the one omitted from the Amended Settlement Agreement would be an appropriate means for Google to ensure that it sees returns on its risky investment in digitized books, while allowing for the creation of a competitive market.

On a "Facts and Fiction" page of the Google Books website, Google informs consumers that Google Books helps authors and publishers by creating opportunities for readers to find and buy books, and it thereby protects the value of copyrighted works in accordance with copyright law.³³⁵ While Google may or may not be wrong about an assertion it makes in the same breath, that Google Books is fair use for the same reason,³³⁶ Google Books does have great potential to carry out the goals of copyright law by promoting "Science and Useful Arts"³³⁷ in

334. See *supra* Part IV (addressing the possibility that Google could incur liability under an essential facilities claim, and arguing that a MFN clause would aid Google's defense if an essential facilities claim were asserted against it).

335. Google Books Perspectives, *supra* note 14.

336. *Id.*; see *supra* notes 123-25 and accompanying text.

337. U.S. CONST. art. I, § 8, cl. 8.

a monumental new way. Google Books will make works of genius more accessible than ever before. And, because it will make even older, out-of-print, low demand, and likely orphaned works available online for anyone to access, Google Books honors and preserves the literary and scientific value of books in a manner which cannot be accomplished by hard copies and libraries alone. If the critics can see past the negative consequences of the Google Book Search Settlement, which are few in number and transient in nature, they will see the abundant good that Google Books can accomplish for scholarship and authorship in the future.

*Alessandra Glorioso**

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