The SDNY Grants Google's Motion to Dismiss the Google Book Search Case

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After eight years of intense litigation, on November 14th, 2013 the U.S. District Court for the Southern District of New York granted Google's motion to dismiss *The Authors Guild, Inc., et al. v. Google Inc., also known as the Google Book Search Case. This litigation, which captured for such a long time the attention of publishers, authors, libraries and internet users, quite interestingly* included in its different stages unusual procedural passages such as the court's rejection of an amended settlement agreement and the uncertification of a class, and eventually it ended with a rather surprising departure from the SDNY's earlier approach in this case to "fair use" in copyright.

I. Judicial History

In September 2005, the Authors Guild filed a class action lawsuit in the Southern District of New York against Google over Google's scanning of over 20 million library books from several research libraries without the prior authorization of rightsholders. The following month, the Association of American Publishers filed another lawsuit against Google for copyright infringement, seeking injunctive relief. Google responded that its use was a "fair use" because they were only showing "snippets" for books where they did not have permission from a rightsholder. In the spring of 2006 the parties began settlement negotiations, and two years later, in October 2008, Google announced an agreement to pay $125 million to settle the lawsuit. The settlement agreement also included licensing provisions, allowing Google to sell personal and institutional subscriptions to its database of books. However, in November 2009, after the Department of Justice filed a brief suggesting that the initial agreement may violate U.S. anti-trust laws (in fact, as the Department of Justice observed, it "[gives] Google control over the digitizing of virtually all books covered by copyright in the United States"), the parties filed an Amended Settlement Agreement (ASA). Among the changes it

encompassed, the ASA limited the scope to foreign books that are registered with the U.S. Copyright Office or published in the UK, Canada, or Australia; it granted the rightsholder the ability to renegotiate the revenue share and provided Google with added flexibility in discounting; and it created a fiduciary to hold payments due to orphan works: if the rightsholder was never ascertained, the funds would be distributed cy-près instead of redistributed among rightsholders.

However, severe criticism was raised against the ASA by authors, publishers and other stakeholders according to which, in spite of these "improvements", the ASA continued to impose a de facto compulsory license with respect to worldwide digital book copyrights under the guise of an intellectual property class action. Such worldwide coverage was the result of the fact that – regardless of the wording in the agreement – the ASA was not simply limited to authors and publishers in the United States, Canada, the United Kingdom and Australia but, rather, it also extended to international authors who registered with the U.S. Copyright Office (in this regard cf. the Memorandum of law in opposition to the Amended Settlement Agreement on behalf of the Federal Republic of Germany of January 28th, 2010). Subsequently, on March 22nd, 2011 supervising Judge Chin issued a ruling rejecting the settlement, stating that the ASA was "an attempt to use the class action mechanism to implement forward-looking business arrangements that go far beyond the dispute before the Court" and that it would "release Google (and others) from liability for certain future acts". Eventually, Judge Chin urged that the settlement be revised from "opt-out" to "opt-in". Despite a series of status conferences that were held throughout 2011, an amended "opt-in" settlement was not reached, and the ASA was simply rejected. In 2012 Judge Chin recertified the class represented by the Authors Guild, and the case was scheduled to go to court by July 2013. However, in July 2013, the Second Circuit overruled the class certification and remanded the case to the District Court for consideration of the "fair use" issues. In holding that it "believe[d] that the resolution of Google's fair use defense in the first instance will necessarily inform and perhaps moot our analysis of many class certification issues" the appellate court provided clear indication that it deemed that Google's "fair use" defense was grounded and that, once the lower court addressed the Author Guild's claim from a "fair use" perspective, it would find that no class needed to be certified as there was no claim to be brought.

II. Upholding the "Fair Use" Doctrine

The “fair use” doctrine is codified in § 107 of the Copyright Act (17 U.S.C. § 107), which provides that in order to assess the fair use of a copyrighted work certain factors must be considered, including:

(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.

Judge Chin’s analysis of the four factors in the Google Book Search decision may be summarized as follows:

Factor No 1. *Purpose and character of the use*: Google Books serves several important educational purposes: Google’s use of the copyrighted works is highly transformative. Google Books digitizes books and transforms expressive text into a comprehensive word index that helps readers, scholars, researchers, and others find books. Google Books is also transformative in the sense that it has transformed book text into data for purposes of substantive research. Words in books are being used in a way they have not been used before. Google Books has created something new in the use of books. Google Books does not supersede or supplant books because it is not a tool to be used to read books. Instead, it adds value to the original and allows for the creation of new information, new aesthetics, new insights and understandings. Fair use has been found even where a defendant benefitted commercially from the unlicensed use of copyrighted works. Google does not sell the scans it has made of books; it does not sell the snippets that it displays. Google does, of course, benefit commercially in the sense that users are drawn to the Google websites by the ability to search Google Books. Even assuming Google’s principal motivation is profit, the fact remains that Google Books serves several important educational purposes.

Factor No 2. *Nature of the copyrighted work*: While works of fiction are entitled to greater copyright protection, the vast majority of the books in Google Books are non-fiction.

Factor No 3. *Amount and substantiality of the portion used in relation to the copyrighted work as a whole*: Google scans the full text of books. On the other hand, courts have held that copying the entirety of a work may still be "fair use". As one of the keys to Google Books is its offering of full-text search of books, full-work reproduction is critical to the functioning of Google Books. Moreover, Google limits the amount of text it displays in response to a search.

Factor No 4. *Effect of the use upon the potential market for or value of the copyrighted work*. Google does not sell its scans, and the scans do not replace the books. To the contrary, a reasonable fact finder could only find that Google Books enhances the sales of books to the benefit of copyright holders. Google Books provides a way for authors' works to become noticed, much like traditional in-store book displays.

Overall, in granting Google's motions for summary judgment and for dismissal Judge Chin held that Google Books has given scholars the ability, for the first time, to conduct full-text searches of tens of millions of books. Google Books preserves books, in particular out-of-print and old books, and it gives them new life. It generates new audiences and creates new sources of income for authors and publishers. As Judge Chin eventually stated in his conclusions, "Indeed, all society benefits".

III. The Aftermath of the SDNY's Dismissal of the Google Book Search Case

The SDNY's decision left many commentators puzzled, especially with a view to Judge Chin's major change of heart with regard to this case. On the one hand, Judge Chin had expressed major skepticism about the Google Book Project in his highly-publicized 2010 ruling that rejected the ASA which, in spite of its undisputable deficiencies, would at least have created a market for the scanned books. On the other hand, in complying with the Second Circuit Court of Appeals' indication that Google had a compelling "fair use" defense that would end the case without the aggravation of going through a full class action, Judge Chin appears to have been suddenly struck by the transformative and beneficial powers of the Google Book Project, and accordingly granted Google a sweeping "fair use" blessing.

As a result of the Second Circuit's ruling vacating the class certification, from a res judicata point of view the SDNY's decision may be deemed as binding only

upon Authors Guild and the named plaintiffs (affecting only the books whose copyrights are owned by Authors Guild, in addition to those of the three named plaintiffs: Betty Miles, Joseph Goulden, and Jim Bouton), thus greatly narrowing its impact on the community of authors and publishers. From a case-law standpoint, by being a lower court's ruling, the decision may be considered as persuasive but certainly not authoritative by other courts, which further limits its impact in similar cases. Moreover, it is likely that the Authors Guild will appeal the decision, just as it is currently doing in *Authors Guild v. HathiTrust* (2012), a lawsuit in which the Authors Guild claimed that the HathiTrust digital library had violated copyright, and the SDNY (represented by a judge other than Judge Chin) ruled against the Authors Guild, finding that HathiTrust's use of books scanned by Google was "fair use" under U.S. copyright law. And while it is unlikely that the Second Circuit reverses Judge Chin's decision, one may still hope that the appellate court will at least set narrower boundaries to Judge Chin's far-reaching construction of the "fair use" doctrine.

Note from editor. The decision has also been commented by Prof. Pedro de Miguel Asensio (Universidad Complutense de Madrid) in his blog. He discusses the background to the case and focuses on its implications from a European perspective, an issue he had already considered in the light of the failed 2008 legal settlement in this case (see here). Although the November ruling only deals with the interpretation of US copyright law, Prof. de Miguel reflects on the consequences that diverging standards on digitization of books and the offering of related services such as Google Books between the US and the EU may have on authors' protection, access to culture and the availability of very powerful research tools. Furthermore, he refers to the comparison between the fair use analysis under US law and the EU system of exceptions and limitations to copyright, in connection with international harmonization in this field.