Intellectual Property

Google's Book Project

*By David McGowan**

Is it better to ask forgiveness than permission? Google believes so. Its agents are copying books by the truckload.[1] Stanford, Harvard, Oxford, and the Universities of California, Michigan, Texas, and Virginia have opened their doors (and stacks) to the project. Estimated conservatively, Google is copying tens of thousands of books each week.[2] Agreements with publishers cover some of this copying, but much of it is done without permission.

In September 2005, the Authors' Guild and three individual writers brought a class action suit against Google in the Southern District of New York on behalf of all authors holding rights to works contained in the University of Michigan Library—though the logic of the claims extends to authors generally. The complaint alleges infringement on behalf of the three named plaintiffs and prays for injunctive relief and a declaration in favor of the class. Milberg, Weiss represents the plaintiffs.[3]

The Copyright Act grants authors the exclusive right to reproduce their works. In that respect, it plainly favors permission over forgiveness. That the rights are exclusive implies injunctive relief against infringement—a property rule, in the familiar Calabresi-Melamed framework—and injunctions favor permission as well.[4] But the Act also provides a fair use defense.[5] Reproduction within the boundaries set by the "fuzball factors of fair use," as Judge Easterbrook has called them, is not infringement.[6] It requires no permission.

This essay argues that Google should prevail on a fair use defense of its project.[7] The project makes searches of the books' text more comprehensive and precise without substituting for sales in current markets or pre-empting entry by rights-holders into probable future markets. My examination also implies, however, that it does not matter very much which way a court rules on that question: Google and rights-holders probably will bargain to an efficient result either way. Lastly, this analysis provides a useful perspective on two copyright policy issues, with which I conclude.

Two aspects of Google's project are relevant here: what it is copying and what it is doing with the copies. Each aspect of the program has legal and economic dimensions. The most important of these relates to the fraction of copied works that is subject to copyright, and, as to those, what Google allows the public to see.

Google proposes to copy substantially all books in existence.[8] Books are either in the public domain or subject to copyright. Government publications, books published before 1923, and books whose authors failed to renew copyright when renewal was required are part of the public domain.[9] The rest are subject to the exclusive rights of authors or their assignees.

Whether Google's copying substitutes for market transactions will be the key point of our fair use analysis, so an economic distinction is relevant as well. Of works subject to copyright, some are in print and available for sale or likely to be revived in the near term. Others are not. Out-of-print books may be divided further: some owners can be found at reasonable cost and others cannot. Books whose owners cannot be found after a reasonable search are called "orphan works."[10]

It is possible to get a rough sense of the proportion of books falling into each category. Books published before January 1, 1978, were subject to a limited initial term (twenty-eight years after publication) with the possibility of renewal. During that time, most authors did not renew their rights. Landes and Posner found rates of renewal for works registered between 1910 and 1991 (after which renewal became automatic) to vary between 3% and 20% of registered works. The renewal rate increased over time, but the data support the conclusion that, historically, over three-quarters of works registered have not been worth the relatively minor cost of renewal.[11]

These numbers are for all works, but the numbers for books are not materially different. Indeed, they are slightly lower—the average renewal rate for books between 1935 and 1970 was 8%. Registrations and renewals for books have risen over time,[12] implying an increase in the value of rights in books; but, even so, the value of the stock of books published in any given year depreciates rapidly.[13]

The Copyright Act of 1976 abolished the renewal requirement for new works almost thirty years ago, so the fraction of books subject to copyright will rise over time.[14] At present, though, because Google is copying many books published before 1923 (all of which are in the public domain) and many books published when renewal was required, a significant fraction of works at issue are in the public domain. Copying these books does not create liability, of course; but the size of the fraction becomes relevant to transaction costs we will consider in a moment.

These registration data are consistent with more direct market analysis. Only a tiny fraction of books remain in print for the duration of their copyright term. Landes and Posner found that only 1.7% of books published in 1930 were still in print in 2001. This finding is consistent with estimates in a brief filed by the Internet Archive in *Eldred v. Ashcroft*, which found that only 2.3% of all books published between 1927 and 1946 were available for purchase in 1996.[15]

Books not currently in print presumably generate no sales for authors. Any market for them is a market for used books, in which revenues go to owners of copies, not authors of works. Judging by the historical data, the fraction of books Google is copying subject to copyright but out of print is very high—probably over four-fifths. When added to the fraction of works in the public domain, these data suggest that a very small fraction of the works being copied is available for sale.

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Because we are dealing with so many books, this small fraction is still a very large number. And I do not suggest that infringement can be excused by copying unprotected or out-of-print works in addition to valuable works. The fraction of such works is relevant, however, to the cost to Google of obtaining permission to copy before copying, and to the risk of harm to the market for a work. These factors in turn are relevant to fair use analysis.

Which brings us to what Google is doing with its copies. Once the digits comprising a book's text reside on Google's servers, what happens next depends on the copyright status of the book. For all works, Google allows users to search the text of a book to locate points of interest. You need not rely on an index to determine whether a book speaks to your particular interest. For works in the public domain, Google makes available the full text of the work and generally allows users to download the work. Works subject to copyright cannot be downloaded.[16] How much of them can be read depends on whether Google has an agreement with the rights-holder. In my experience, when a search returns a book subject to an agreement between Google and a rights-holder, the user can read a page or so before and after the appearance of the term for which the user searched. If no such agreement covers the book, the user sees only a sentence or two surrounding the term.

So, for example, say I am interested in the role of Chinese workers in building the transcontinental railroad. I type "Central Pacific Railroad Chinese" as a search. The first book in the results page is George Frederick Seward's *Chinese Immigration in its Social and Economical Aspects*, which was published by Scribners in 1881.[17] The book is in the public domain, and I may download it to read at my leisure or link it to a "library" of books maintained on Google's servers and accessible though my Google account. Google copied the book from the Stanford library. It copied the second book on the list (actually a transcript of an 1876 California Senate hearing on Chinese immigration), from the University of Michigan. Both these books are designated as "full view."

The fourth book on this results page is Steven Ambrose's *Nothing Like it in the World: The Men Who Built the Transcontinental Railroad, 1863-1869*. The book is under copyright, and its presentation is very different. The first thing that catches my eye is a Simon & Schuster logo and the phrase "pages displayed by permission." The book is linked to two reviews and five stores that sell it. It is designated "limited preview."

I type "Chinese" in the box for searching the content of the book itself and get one or two-page excerpts surrounding the appearance of the word. I learn that in the Bancroft library at the University of California at Berkeley there are English-Chinese phrase books published in 1867, which teach English speakers how to say "Come at seven every morning," "Go home at eight every night" and "He wants $8 per month? He ought to be satisfied with $6.00. I think he is very stupid." Chinese speakers learn to say: "Yes, madam," "You must not strike me," "He does not intend to pay me my wages," "He claimed my mine," "He assaulted me," and so on. I am hooked. I click the Amazon link and the book is in my shopping cart.

I could go on, but you get the point.[18] All of each book is copied, but how much you can read of any given work depends on its copyright status and whether Google has an agreement with the rights-holder. If Seward's book were subject to copyright, my download would be a reasonably good substitute for a copy bought from a store. The few pages of Ambrose I can read do not substitute for the book, which is why I bought it.

Copying all of a work presents a hard, but not impossible, case for the fair use defense. Whether copying substitutes for the purchase of a work is the most important element in fair use analysis.[19] Substitution plays a role in two of the four non-exclusive factors the Copyright Act states should be included in fair use analysis. The first factor is the purpose or character of the use, including whether it is commercial. Courts analyze uses in various ways in addition to the commercial/non-commercial distinction mentioned in the statute. The most common variation asks whether a use is transformative or simply straightforward reproduction.

Transformative copying changes a work in some way.[20] Substantial changes may imply that the copy satisfies a different sort of demand than the original work; insubstantial changes imply substitution. For this reason, and because all defendants claiming fair use claim to have transformed works in some way, the first factor almost always goes the same way as the fourth factor, which calls for analysis of "the effect of the use upon the potential market for or value of the copyrighted work."[21] (The second and third factors are almost never important, and probably should not be when courts treat them as important.)

Though transformative uses present a stronger case for the defense than straightforward copying, courts in some cases have found non-transformative copying of whole works to be fair use. *Sony Corp. of America v. Universal City Studios, Inc.* (the "Betamax" case) is the best-known example.[22] It is largely irrelevant to Google's project, but because it is so well known, and because it involves whole work copying, I take a moment here to explain why that is.

In *Sony*, the holders of rights in some broadcast television programs sued the manufacturers of hardware that could copy those programs. The Copyright Act did not explicitly provide for secondary liability, the only theory on which the maker of a device like the Betamax could be liable; but the U.S. Supreme Court imported the contributory infringement principles of the Patent Act to decide the case.[23]

The Patent Act standard imposed liability only on devices not capable of substantial non-infringing uses.[24] The Court found that non-transformative copying of television programs could be fair use where consumers copied the programs to watch them at a later time ("time shifting"). That finding saved Sony from liability for its users' acts, without requiring the Court to elaborate on how far non-transformative copying of entire works might qualify as fair use. (The Court did not decide, for example, whether copying programs to build a library of favorite shows would count as fair use.) For that reason, and because the programs at issue were distributed free of charge to consumers, it is a weak precedent where Google's project is concerned.

More relevant are three types of cases from the circuit courts. The Ninth Circuit leads the way on two of them, and the Second Circuit on the third. (This division explains why the case was filed in New York rather than California.) Two of the three types of cases suffer from partly flawed reasoning. The flaws should be corrected, but the cases contain sound reasoning as well. It is the sound reasoning, not the flaws, that supports Google's defense.

The first type of case holds that even copying all of a work in connection with a commercial endeavor may be fair use where the copying is an intermediate step toward some non-infringing end. *Sega Enterprises, Ltd. v. Accolade, Inc.* is the most important of these precedents.[25] Accolade made computer games. It copied Sega's games to learn how they worked with Sega's game console so it could make its games compatible with the console, too. The result was that Sega console owners could play Accolade games.[26] The Ninth Circuit later extended this ruling to copying by a firm that wrote a program allowing Sony computer games to play on computers rather than Sony consoles (it built down from the game, while Accolade built up from the console).[27]

Sega is a poorly reasoned precedent. The court held that Accolade's copying was fair because it facilitated the production of more games for the Sega console, thus promoting the creation of expression.[28] It was wrong about that. For the most part Accolade did not write new games for the Sega console. It was more interested in porting its existing games to Sega's platform so it could make more money from costs that were mostly sunk already. Not surprisingly, the court botched the analysis of the market effect of Accolade's copying. It said the effect might not be so bad (because Accolade's games might not be substitutes for Sega's) and that any harm was acceptable because Sega's "attempt to monopolize the market by making it impossible for others to compete runs counter to the statutory purpose of promoting creative expression...."[29] The court should have treated Sega as a company selling a system (the console hardware plus the game software) in competition with other systems: Accolade copied to tap into the system, and the economics of the copyrighted games were inseparable from the economics of the system of which they were a part. It did not. Instead the court treated the Sega console as a market unto itself; the court implicitly considered competition within the Sega platform to competition among platform vendors. There is no logical or economic basis for such a preference.[30] Experience with the Supreme Court's ill-fated *Image Technical Services* opinion suggests that competition in the primary market for systems is more relevant to social welfare than competition in single-firm "aftermarkets."[31]

The *Sega* court's misuse of the loaded term "monopoly" and its resort to appealing but diffuse phrases such as "promoting creative expression" are signs that the court stopped thinking about the case at hand and started thinking in terms of slogans. The result was a ruling that made it hard for Sega to implement the classic model of charging a low price for hardware and taking profits in software sales, in effect price discriminating between casual players and serious gamers. There was no point in creating incentives for Sega to increase console prices, as the court's ruling did.[32]

Notwithstanding these flaws, the *Sega* court was right to presume that even copying of an entire work might be fair use where the copying at issue is an intermediate step to some lawful use. The court's imperfect application of this premise to Accolade's copying should not obscure the principle that proper fair use analysis focuses on market effects in sensibly defined markets, not on intermediate steps that do not themselves have such effects, or on formalist abstractions. As we will see, the case against Google replicates the *Sega* courts errors, while the case for Google's defense draws on this valid insight.

In two other cases, the Ninth Circuit dealt with allegations of infringement against search engines. *Kelly v. Arriba Soft Corporation*,[33] involved a search engine that copied pictures it found on various websites and reproduced them as small, low-resolution, "thumbnail" images.[34] When a user typed a search, Arriba's thumbnails appeared as responses; they also served as links to sites where a user could get a full-sized copy of the image. The user could copy the thumbnail to his or her computer, but they could not be enlarged without severely degrading the quality of the image. (Arriba deleted from its servers the original pictures it used to make the thumbnails.)

The Ninth Circuit held that Arriba had a fair use defense to this aspect of its copying. It made two points. The first was that the small, grainy thumbnails Arriba made available to those who used the search engine did not substitute for Kelly's full-size works. The second was that Arriba's copying improved access to information on the Internet. On this latter point, the court argued that Arriba's copying was transformative because it altered the function the thumbnails served. Instead of satisfying aesthetic demand, the court reasoned, the images served as search tools. However, transformation in fair use analysis generally refers to altering the work itself, not what it does.[35] Arriba did alter the works, by turning them into thumbnails, so the court's "transformative function" idea was unnecessary. It was also a bit misleading. The search point would be better captured by saying Arriba had created a new collective work—its database—of which Kelly's transformed images were only a fairly small part. Either way, the important point was that Arriba's copying took no sales from Kelly while helping users compare many images at once.

The *Kelly* court's result rightly minimized the transaction costs of the useful work performed by search engines. Arriba could and did agree not to search Kelly's own site; but other websites posted Kelly's pictures, too. These sites presumably displayed the work of photographers other than Kelly. To skip all such sites in order to avoid copying Kelly would be to skip the work of other photographers, too, some of whom might be perfectly happy to have Arriba catalogue their works. Even if Kelly and Arriba could agree on sites to skip, other sites might copy Kelly's work after the list was drawn up, leaving Arriba vulnerable to liability.

In such an environment, it makes sense to presume that copying is lawful and then deal with any substitution effects on a more tailored basis.[36] That is what happened at the district court level in the Ninth Circuit's next search engine case, *Perfect 10, Inc. v. Amazon.com, Inc.*[37] The plaintiff in that case sold from its website pictures of nude women. It sued Google, among others, on theories similar to those at issue in *Kelly*. By

the time *Perfect 10* reached the courts, though, a market had developed for thumbnail images (chiefly for displaying on cell phones, where a smaller image is desirable and resolution is less important). The district court thought that development reason enough to distinguish *Kelly* and find that Google was unlikely to prevail on its fair use defense. The court issued a creative injunction under which Google was not liable for copying and posting thumbnails initially, but would be liable for keeping them posted after an author asked Google to take the image down.

The Ninth Circuit reversed. It agreed with *Kelly* that reproducing a work in a database counts as transformation: "a search engine provides social benefit by incorporating an original work into a new work, namely, an electronic reference tool."[38] The court faulted the district court for not finding facts regarding actual harm to the download market. Contradicting its own caution against asserting facts without findings, it then asserted that the market for thumbnail downloads "is not significant at present" and concluded that the importance of Google's use outweighed "any incidental superseding use or the minor commercial aspects of Google's search engine and website."[39]

These conclusions are at odds with the relevant statutory language. Section 107 of the Act directs courts to ascertain "the effect of the use upon the *potential* market for or value of the copyrighted work."[40] The most natural reading of this language is that authors' exclusive rights extend to new markets in which a work could be exploited.[41] That reading also finds support in the Supreme Court's opinion in *Campbell v. Acuff-Rose*, which treated as relevant to the fourth fair use factor markets for "potential derivative uses... that creators of original works would in general develop or license others to develop."[42] (The conclusions also ignore the sensible inquiry of *Kelly*: whether unrestricted and widespread adoption of the defendant's copying would harm the potential market.[43]) Nevertheless, the *Perfect 10* court was correct to note that copying to facilitate search creates social benefits. Its suspect analysis of market harm does not undercut the importance of that fact.

These cases tend to favor Google by upholding the defense for useful copying that does not displace an author's market or reasonably probable potential market. Cutting against its defense are cases rejecting fair use claims raised in defense of copying needed to transmit a work in a different medium from the one in which it was sold. The Second Circuit rejected a fair use claim advanced by a defendant who marketed a system that would allow people in one area to listen by telephone to local radio programs broadcast in other areas. Retransmission over telephone lines, the court said, might serve a different purpose than local broadcasting; but that was not the same as transforming the works (the contents of the broadcasts) themselves. The court cited Judge Leval's comment that a use that "merely repackages or republishes the original" is unlikely to be a fair use.[44]

Finally, a district court in the Southern District of New York had no trouble rejecting the fair use defense asserted by MP3.com, a firm that copied tens of thousands of sound recordings onto its servers as a first step in offering a service that would allow users to listen to streamcasts of sound recordings they already owned, provided they could first prove that they owned the CD. Relying on the *Betamax* case, MP3.com claimed this service allowed users to "space shift" the place at which they listened to their music, without having to lug their CDs along with them.

The court found an easy prima facie case of infringement and rejected the claim that streamcasting transformed the streamcast works. It distinguished between innovation, which MP3.com represented, and transformation of a work, which it did not. The court also rejected the claim that streamcasting would increase sales of sound recordings by making them more useful. "Any allegedly positive impact of defendant's activities on plaintiffs' prior market," the court said, does not free "defendant to usurp a further market that directly derives from reproduction of the plaintiffs' copyrighted works."[45]

Google's copying does not fit squarely within the holdings of any of these cases. Its copying is an intermediate step to the creation of a database of books whose texts can be searched word-by-word. Unlike *Sega*, however, it does not copy only to identify interface elements and then substitute its own work for the copied game. The copied works are included in the database and contribute to its value.

Unlike *Kelly,* Google does not save the works it copies in a form less useful than the original. Books appear as clean digital copies of the original work. For those willing to read on screen, they would be perfectly good substitutes for hard copies. For those who prefer hard copy, only the binding, not the work as such, would be wanting. Unlike *Perfect 10*, users cannot download works subject to copyright; this fact simply strengthens Google's defense relative to the defense upheld in that case.

For its part, *MP3.com* presented no question or analysis of a searchable database that itself would count as a collective work. Because Google only provides full access to public domain works, there is no risk in Google's project analogous to the risk one suspects existed in *MP3.com*—that users would be able to gain access to recordings they had not already bought so that *MP3.com*'s copying would substitute for purchases of protected works.

In cases involving fair use, the Copyright Act cannot be read formally. The statute commands courts to consider the consequences and the fairness of uses.[46] The best courts can do is tailor the defense to provide the greatest benefits in terms of permitted uses consistent with the need to preserve incentives for the creation of works in the first place. Bargaining is one key to such tailored analysis. Where bargaining is possible, in most cases it will produce results more efficient than judicial administration. Absent some reason to distrust bargaining, therefore, courts should condemn uses that substitute for it. They should allow uses where bargaining is unlikely to work.

This principle deals adequately with many cases, but it does not favor either side with respect to Google's book project. Google can and does negotiate with publishers, a fact that cuts strongly against a fair use finding. As a presumptive matter, the text and economic structure of the Act require that in such a case bargaining precede copying. On the other hand, books are not organized on library shelves either by year or by publisher.

Requiring ex ante negotiation for works subject to copyright would increase the cost of the project by requiring successive trips to the same shelf to copy first the books in the public domain and then those covered by publisher agreements. That would entail delay, which is a cost to users, and would omit orphan works from the database.

One might respond that Google could avoid successive trips to the shelves by negotiating all publisher agreements before copying anything. However, that would create a holdout problem among publishers. It would also be legally pointless with respect to the large fraction of books in the public domain and practically pointless with respect to the smaller fraction of orphan works. Most importantly, the first principle usually pertains to uses where copies reach the public and satisfy some form of demand. That is not the case with Google's project. Users get only very small glimpses of works subject to copyright but not subject to an agreement with a publisher—much less than would be needed to treat the publicly available reproduction as even a partial substitute. That does not mean it is an easy case for Google, but it does mean the bargaining presumption should be weaker than in an ordinary case.

A second useful principle favors copying that creates tangible benefits and does not substitute for transactions in a market or usurp a market a rights holder is likely to exploit. This more direct cost-benefit analysis requires greater judicial scrutiny of the facts, and thus presents greater risk of judicial error. It is inevitable, however, because the fourth statutory factor cannot be analyzed fully in any other way.

There is no risk that Google's un-bargained for snippets will substitute for works.[47] Nor is there any reason to believe any publisher will undertake to create a database of all works, even those in the public domain and those of its rivals, which is what Google is doing. The probability of author or publisher entry into such a market being low, there is no real risk that by copying without permission Google is usurping prospective entry by rights-holders.[48]

At the same time there are two tangible payoffs to Google's copying that do not cut into the market or potential markets of any work. Copying is necessary to index the text of each work, and that indexing makes search results more precise. Instead of relying on title or author fields, or an index compiled by a publisher, a user can search for what books actually say.

The second payoff comes from the scope of the database. I can find Ambrose's book on the trans-continental railroad on Amazon or on the shelf in Borders. I cannot simultaneously find Seward's work in those places, and I might not be able to find the full array of in-print works that might be responsive to a search of Google's database. Broader yet more precise searches make research more efficient. Both public domain works and those subject to copyright must be copied to maximize this benefit. In some cases, such searches might facilitate more precise and comprehensive comparison shopping, which counts as a public benefit, too.[49]

Two conclusions follow from this analysis. First, the arguments for treating Google's copying as fair use are stronger than the arguments against the defense. The copying generates tangible benefits by allowing text searching of books without superceding either a rights-holder's current market or probable prospective markets. Tailoring favors allowing this particular and unusual copying of whole works in connection with a commercial enterprise.

The second conclusion is that for all but orphan works it does not matter very much whether a court finds Google's copying to be fair. Google cannot display large amounts of content without the publisher's permission; but the publishers are not going to create such a comprehensive database on their own, and they are better off being in the database than out of it. (As to orphan works, their existence provides reason to favor Google's defense now and to favor legislative action soon; I discuss pending legislation below.) The situation is congenial to bargaining, which is almost certain to occur regardless how a court rules. The ruling will affect the distribution of gains from Google's copying, of course—Google either will or will not have to pay some form of statutory damages—but it is unlikely to affect significantly the content of the database. To borrow a familiar concept, the initial assignment of rights in this situation will not determine the ultimate use of the works at issue.[50]

Against the analysis in the preceding section, one might argue that it would be a bad thing if Google and the plaintiffs settle. A *New Yorker* story on the project reports that Professors Larry Lessig and Tim Wu worry that such a settlement will harm competition. Their reported concern is that a settlement would set a precedent that would impede the creation of similar databases by persons or firms poorer than Google. In antitrust terms, to quote Professor Wu, "if they settle the case with the publishers and create huge barriers to newcomers in the market there won't be any competition. That's the greatest danger here."[51]

Lessig and Wu are brilliant scholars and advocates, and one suspects their ideas cannot be done justice in a popular magazine article. To the extent such worries exist, however, I believe they are unfounded. A payment by Google to publishers meets neither of the most widely recognized definitions of an entry barrier; it is a cost to Google, not an impediment to others.[52] Lessig and Wu no doubt understand that; so it is better to read them as worrying that the plaintiff class members might agree to give Google the exclusive right to reproduce their works in a commercial database, making it impossible for competing firms or groups to construct equally comprehensive databases. Framed this way, the concern would be about the risk that plaintiffs (which include trade associations) might facilitate collusion among their members with regard to Google's project.[53]

Agreements among competing rights holders are presumptively cause for concern, but there is little reason for worry here.[54] As a general matter, Google's database and search technology are complements to any given text; they make the text easier to find and (possibly) buy. In antitrust terms, agreements between authors and Google should be treated as vertical arrangements, which are almost always lawful. (That is true even though Google's copy might substitute for purchase of a work—it will not, unless the author agrees to terms allowing downloading.)

Collusion among authors might be possible; but if it occurred, it would increase the authors' power relative to Google's. Colluding authors would be less likely to grant exclusive rights than authors negotiating on their own, and thus less likely to create barriers to entry. The prospect of collusion therefore does not justify the reported concern about barriers, and may in any event be policed under antitrust analysis rather than suspicion of bargaining in general.

Google's project provides a useful perspective on some copyright policy questions. I discuss two of them here: legislative proposals pertaining to orphan works, and needed but improbable re-institution of renewals.

As the data provided earlier suggest, orphan works are a general problem of copyright policy and a serious problem for a project as ambitious as Google's. Potentially useful works should not lie fallow because their owners cannot be found after a reasonable search.

An analogy to the law of real property suggests one solution to this problem. At common law, a landowner who cared so little for his property that he did not assert his rights in the face of open, notorious, and adverse uses lost his title. Why not adapt the principle to deal with the orphan works problem? A user willing to make an orphan work widely available (as by digitizing it and placing it in a database) could claim the remaining term in the work. Alternatively, the law could place orphan works (which, by hypothesis, are out of print) in the public domain for all to use, or enact a compulsory license allowing reproduction of out-of-print works.[55]

Scholars tend to exaggerate differences between the law of real property and copyright, but the concept of adverse possession would have to be adapted, were Congress to extend it to copyright.[56] Uses of works are non-rivalrous, so they do not signal to the world that a user claims rights in the work as occupation signals such a claim to real property. There also might be disputes over priority of use of an orphan work.

Both problems could be resolved through formation of a registry for assertion of adverse use maintained by the Copyright Office, and adoption of a priority rule for adverse users. (A similar registry for current owners would ameliorate the problem by making it easy for users to find owners to bargain with.) Whether the cost of such a system would be worth the benefit is a fair question, and the answer would require more research.

The advantage to such a system is that an adverse user would take whatever portion of the term remained, which might be necessary to induce the user to sink costs into reviving the orphan work. Placing the work in the public domain would not solve this problem, and a compulsory license would make it worse by increasing the cost of reviving the work.

A pending bill would at least improve on the present situation. I find it less appealing than either the adverse possession or public domain alternatives, but it is more likely to be adopted. It is HR 6052, the proposed Copyright Modernization Act of 2006. Title II of that Act (the "Orphan Works Act" of 2006) limits significantly the liability of infringers who are unable to locate the owner of a copyright after a reasonable search, and eliminates liability for infringers who do not seek commercial gain but aim at charitable, religious, scholarly or educational purposes.[57]

The bill leaves open the possibility of injunctive relief for non-transformative copying, but requires courts enjoining nonprofit uses for such purposes to take into account any harm an injunction might cause such an infringer. The bill precludes injunctions of new works that transform orphan works; it limits liability in such cases to payment of reasonable compensation and attribution to the author of the transformed material. Google's book project provides a good example of why such legislation is desirable.

The second point, also highlighted by the data recounted earlier, is that periodic renewals are an important tool for placing disused works into the public domain. Renewals were a constant feature of copyright law from the Statute of Anne in 1710 and the original Copyright Act in 1789 until their abolition in 1992. Renewals did sometimes lead to forfeiture for inattentive rights-holders and create problems for some well known derivative works, such as Hitchcock's *Rear Window*.[58] These idiosyncratic costs, however, are almost certainly more than offset by increased utilization of works in the public domain and reduced transaction costs.

Historically low renewal rates imply that many works subject to protection under the current regime of a single fixed term are in fact not worth the trouble to renew. They would be better off in the public domain, where they could be used without transaction costs and without the risk of incurring statutory damages. There is no pending legislation to re-institute renewals, but Google's project provides a useful example of the benefits such legislation would provide.[59]

Google's project therefore provides a useful perspective on the key components of a copyright system that is as close to optimal as we are likely to get. We should favor a relatively short initial term, renewable indefinitely (to allow those who continue to manage works to recover the costs of doing so and prevent the dissipation of their investments while placing in the public domain works not worth the expense).[60] Re-institution of renewal would itself solve most of the orphan works problem. Any lingering problems could be dealt with through limitations on damage awards and injunctions.

CONCLUSION

Ambrose's *Nothing Like it in the World*, I am sorry to say, is not a very good book. It is repetitive and hagiographic. Google's book project will not save you from bad purchases. Because of that project, however, I can turn to Seward's book, and more, without displacing (indeed, while increasing) sales of Ambrose's book. Nothing would be gained by condemning as infringement a project that produces such results. Though little would be lost, either—that is the bargaining point—the case for the fair use defense is strong enough to defeat presumptive liability for infringement.

Endnotes

1 For a description, *see* Jeffrey Toobin, *Google's Moon Shot*, New Yorker February 5, 2007, *available at* http://www.newyorker.com/reporting/2007/02/05/070205fa_fact_toobin.

2 *Id.*

3 The Association of American Publishers subsequently filed its own suit against Google.

4 eBay, Inc. v. MercExchange, L.L.C., 126 S.Ct. 1837, 1841 (Roberts, C.J., concurring) (2006).

5 17 U.S.C. §107.

6 Frank H. Easterbrook, *Cyberspace and the Law of the Horse*, 1996 U. Chi. L. Rev. 207, 208.

7 An interesting aspect of Google's project, which I largely ignore here, is its offer to allow publishers to opt out of its copying. Richard Epstein has analyzed this aspect of the program. Richard A. Epstein, What Light if Any Does the Google Print Dispute Shed on Intellectual Property Law, Jan. 23, 2006 (copy on file with author).

8 Toobin, *supra* note 1.

9 Renewal was required for works published before January 1, 1978, the effective date of the Copyright Act of 1978, until renewal became automatic in 1992. *E.g.,* Robert A. Gorman & Jane C. Ginsburg, Copyright 357 (6th ed. 2002).

10 Register of Copyright, Report on Orphan Works 1 (2006).

11 William M. Landes & Richard A. Posner, The Economic Structure of Intellectual Property Law 234-39 (2003). These data imply an average annual depreciation rate (the rate at which the number of registrations in a given year shrinks to the always-lower number of renewals for those works) of 8.3% of works registered in any given year, which in turn implies that the commercial life of an average work ranged between 8 and 18.5 years. 99% of works registered in 1934 had fully depreciated by 2000.

12 Landes & Posner, *supra* note 11, at 242, Tables 8.7-8.8.

13 Landes and Posner estimate an average depreciation rate for books of 9.2%, a number probably inflated by the inclusion of pamphlets in the data set. *Id*.

14 In 1992, Congress made renewal automatic for works published before 1978 that were still in their first term. Pub. Law 102-307, 106 Stat. 264.

15 An amicus brief filed by the Internet Archive in the *Eldred* case provided the following data:

> In 1910, 13,470 books were published in the United States. In 2001, only *180* of these titles are available for purchase from any publisher worldwide. The numbers for other decade years are similar: 1920 (8422 published, 307 in print in 2001); 1930 (10,027 published, 174 in print); 1940 (11,328 published, 224 in print); 1950 (11,022 published, 431 in print).

(Citations are omitted). The brief reports these data were derived by comparing the American Library Annual and Book Trade Almanac for 1872-1957 to Books In Print. The brief is available at http://cyber.law.harvard.edu/openlaw/eldredvashcroft/cert/archive-amicus.html.

These data must be qualified when thinking about Google's project. The data refer to all books, while Google is only copying those books its partner libraries thought worth buying. I am not sure this fact cuts one way or the other. Libraries might choose either relatively obscure, niche works that are more likely than average to go out of print, or they might choose particularly important works that are more likely than average to stay in print. I am not aware of any research on this point; for present purposes I will assume that the averages apply to libraries well enough for purposes of legal analysis.

16 I should say they cannot be downloaded so far as I can tell. Google may have agreements with some authors that allow downloading

17 Seward was the nephew of William H. Seward, Lincoln's Secretary of State. George Frederick became American consul at Shanghai in 1861, became consul-general to China in 1864, and became Minister to China in 1875. *See* Paul Hibbert Clyde, *Attitudes and Policies of George F. Seward, American Minister at Peking, 1876-1880*, 12 Pac. Hist. Rev. 387, 388 (1933).

18 Nothing is perfect, of course. On a whim I search for Henry Friendly. His *Benchmarks* is listed, but no page previews are available, and it is categorized as "fiction." On the other hand, the book is linked ("find this book in a library") to WorldCat, which lists libraries close to me (presumably based on the location of my ISP) where I can borrow it. I will not do that (it is on my shelf), but the search also returns *The Reminiscences of Judge Henry J. Friendly*, a work I have never heard of, possibly because it is listed as a microfiche of a 1960 typescript generated in a Columbia University oral history project. The nearest library that has it, according to WorldCat, is the University of Central Oklahoma, which deserves credit for the fact. No preview available here.

19 I refer to purchase for simplicity. The analysis would be no different if the transaction involved a license rather than a sale.

20 A typical example is the scanning and reproduction of a portion of a photograph as part of a larger collage, *Blanch v. Koons,* 467 F.3d 244 (2d Cir. 2006), or reproduction of smaller-than-original image as part of a historical work. Bill Graham Archives v. Dorling Kindersley, Ltd., 448 F.3d 605 (2d Cir. 2006).

21 Courts that do fair use by the numbers frequently load up their first factor analysis with arguments that are really about substitution and then refer back to that analysis when they get to factor four. That approach gets things backwards. The best way to assess the degree of the defendant's transformation, though, is to ask whether it substitutes for the original work, so it is simpler and more sensible to read the first factor off of the fourth.

22 464 U.S. 417 (1984).

23 *Id*. at 435. The relevant portion of the Patent Act is 35 U.S.C. §271(c).

24 464 U.S. at 440.

25 977 F.2d 1510 (9th Cir. 1992).

26 The court presumed the code that allowed the games to play on the hardware was itself outside the scope of copyright under Section 102 of the Act.

27 Sony Computer Entertainment, Inc. v. Connectix Corp., 203 F.3d 596 (9th Cir. 2000).

28 *Sega*, 977 F.2d at 1532.

29 *Id*. at 1524.

30 *E.g.*, Joseph Farrell & Michael L. Katz, *The effects off antitrust and intellectual property law on compatibility and innovation*, 43 Antitrust Bull. 609, 641-42 (1998) (noting theoretical indeterminacy).

31 Eastman Kodak Co. v. Image Technical Servs, Inc., 504 U.S. 451 (1992). For criticism of the opinion, *see* Richard A. Posner, Antitrust Law 236 (2d Ed. 2001); Herbert Hovenkamp, The Antitrust Enterprise 157-58, 309-10 (2005).

32 To say that Accolade could copy to "port" its games to Sega's console was to say that Sega could not control the content its system displayed. That could lead to wasteful results. Suppose a firm wanted to sell only nonviolent video games or to guarantee to parents that no game depicting graphic sexual content would work on its consoles. *Sega* undercuts its ability to back such a warranty with copyright law; it would have to resort to constant technical tweaks to keep unwanted firms off its platform, sinking costs in a wasteful game of cat and mouse.

33 336 F. 3d 811 (9th Cir. 2003).

34 *Kelly* therefore represents a form of intermediate copying such as was at issue in *Sega*. Arriba copied the full-size images and then reproduced them as thumbnails. The *Kelly* court rightly focused on the market effect of the thumbnails, not the intermediate copying of the full-size image.

35 Justice Souter's opinion for the Court in *Campbell v. Acuff-Rose*, 510 U.S. 569, 579 (1994), characterized transformation by asking whether a copier "adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message...." A copier also may transform an image by placing it in a context that alters a viewer's understanding of the image. A newspaper might reproduce a picture of a stolen painting, for example. In that case, the reproduction adds to news of a crime, rather than satisfying whatever sort of aesthetic demand the picture would normally aim to fulfill. *Cf.* Núñezez v. Caribbean International News Corp., 235 F.3d 18 (1st Cir. 2000) (finding televised reproduction of near-nude modeling photos was fair use where purpose of reproduction was to report on controversy regarding suitability of model to serve as Ms. Puerto Rico).

36 The presumption is consistent with the real property rule that uninvited guests are not trespassers until told to keep off land, which is the sensible default in the trespass to chattels cases as well.

37 508 F. 3d 1146 (9th Cir. 2007). The district court's initial opinion is *Perfect 10, Inc. v. Google*, Inc., 416 F.Supp. 2d 828 (C.D. Cal. 2006). A copy of the preliminary injunction itself is on file with the author.

38 508 F.3d at 1165.

39 *Id*. at 1165-66.

40 17 U.S.C. §107 (emphasis added).

41 American Geophysical Union v. Texaco, Inc., 60 F.3d 913, 930-31 (2d Cir. 1995).

42 510 U.S. 569, 592 (1994). There is a degree of circularity in that analysis, because markets are unlikely to arise if free copying is the rule. It is awkward to find against fair use on the ground of harm to a market that would not exist absent the ruling at issue. This circularity cuts both ways, however, and to the degree one has faith in bargaining to allocate resources, it makes sense to read "potential" in the Act to include newly emerging markets as well as the extent of the work's chances in an existing market. The Ninth Circuit should not have sidestepped the language of the Act, though its ultimate conclusion regarding the costs and benefits of the relevant use might still be correct, particularly if tailored into a notice-and-takedown regime, as the district court did.

43 *Kelly*, 280 F.3d at 943.

44 Infinity Broadcast Corp. v. Kirkwood, 150 F.3d 104, 108 (2d Cir. 1998) (citing Pierre N. Leval, *Toward A Fair Use Standard*, 103 Harv. L. Rev. 1105, 1111 (1993)).

45 UMG Recordings, Inc. v. MP3.Com, Inc., 92 F. Supp. 2d 349 (S.D. N.Y. 2000). To the same effect is Judge Easterbrook's opinion in *BMG Music v. Gonzalez*, 430 F. 3d 888 (7th Cir. 2005).

46 Sometimes economic analysis does not explain a sensible application of the defense, which then rests simply on a normative assertion that the copying was fair. The best example is the Rev. Jerry Falwell's reproduction and use for fundraising purposes of Larry Flynt's attack on Falwell. Hustler Magazine, Inc. v. Moral Majority, Inc., 796 F.2d 1148 (9th Cir. 1986).

47 Unless of course someone hacks into Google's servers and frees all the copies for downloading, but I would hold Google liable for that and let it pursue the hackers.

48 There is a competing project sponsored by the Open Content Alliance, which includes Microsoft, Yahoo, and several major libraries. Toobin, *supra* note 1.

49 *E.g.* Sony Computer Entertainment America, Inc. v. Bleem, 214 F. 3d 1022 (9th Cir. 2000) (affirming finding of fair use for reproduction of "screen shots" of video games used for comparative advertising).

50 Ronald H. Coase, *The Problem of Social Cost, in* The Firm the Market and the Law 95 (1988).

51 Toobin, *supra* note 1.

52 It is not a cost entrants would have to incur that an incumbent market participant did not, which was George Stigler's definition, nor is a payment by Google a condition that allows it to enjoy supra-competitive profits for a significant time, which was Joe Bain's definition. It may well be that there are large economies of scale in copying, which might imply that Google's cost of copying is lower than that of potential entrants. If one cares about total economic surplus, as I do, that fact would not be a problem. If one cares strictly about consumer surplus, it might be a problem, but even then the payment from Google to the publishers would be unrelated to the worry about market power.

53 My thanks to Professor Lessig for clarifying this point.

54 Fashion Originators' Guild v. FTC, 312 U.S. 457 (1941)

55 The basic idea behind such proposals is quite old. It can be traced at least to a failed bill introduced in Parliament in 1735, which would have allowed anyone to reproduce under compulsory license works that were "scarce and out of print." Ronan Deazly, On the Origin of the Right to Copy 100 (2004). As Deazly puts it, "[w]ith the existence of the right to print the work free from invasion, there came a concomitant duty to ensure that the work would always be publicly available." *Id*. The measure was called the *Bill for the better Encouragement of Learning, and for the more effectual securing the Copies of Printed Books to the Authors or Purchasers of such Copies, during the Times therein mentioned*. The bill died in the House of Lords, in part due to the backfiring of an attempt by Alexander Pope to secure its passage. *Id*. at 102-03.

56 For an example, see Peter S. Menell, *Intellectual Property and the Property Rights Movement*, 30 Regulation 367 (2007). For a reply, *see* Richard A. Epstein, *The Property Rights Movement and Intellectual Property*, *A response to Peter S. Menell*, 30 Regulation 4 (2007). Menell uses Epstein to exemplify what Menell sees as the flawed reasoning of the property rights movement. Epstein certainly needs no help from me, but I do wish to associate myself with the sins of the movement—as soon as I find out what those are.

57 The infringer is liable only for a reasonable compensation for use of the work, not for statutory damages, costs, or attorney's fees. The bill places on the owner of the orphan work the burden of establishing the amount of reasonable compensation (in the form of a hypothetical license transaction).

58 Stewart v. Abend, 495 U.S.207 (1990). *Rear Window* derived from the short story *It Had to Be Murder* by Cornell Woolrich. Woolrich sold to a production company the right to make a movie of the story. That sale included his agreement to renew his rights and assign the renewal term to the company. Renewals could only be made within a year of the expiration of the rights, however, and Woolrich died before he could renew. The renewal term passed to his estate, which was not bound by his agreement. Thus the litigation.

59 Abolition of renewals is often associated with U.S. accession to the Berne Convention because foreign authors accustomed to single terms were often said to be vulnerable to inadvertent loss of their renewal terms; but Berne does not require abolition of renewal terms. It requires only that foreign authors be placed on at least an equal footing with U.S. authors.

60 The proposal is from Landes & Posner, *supra* note 11, at 215-234.