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I. INTRODUCTION

In March of this year, the District Court for the Southern District of New York rejected[2] the proposed settlement of legal claims arising from Google's digitization of books and online display of excerpts in a class action copyright infringement suit brought by the Authors Guild and others against Google.[3] While the court acknowledged that "the digitization of books and the creation of a universal digital library would benefit many" and found that the majority of factors favored approval, it ultimately determined that the proposed settlement was not fair, adequate, and reasonable.[4] Since then, the fate of the settlement has been in limbo. As of this publication, it remains far from certain as to whether and how a deal may be struck that addresses competition concerns while balancing the other interests of the relevant stakeholders.

II. AMBITIOUS PLANS & LEGAL OBSTACLES

In 2002, Google launched an initiative to connect its core technological product—search—to the world's accumulated information in books.[5] In what later became the Google Book Search project, the goal was to scan the world's 150 million or so books and create a "digital library" accessible through Google's internet search engine.[6] After scanning more than 15 million volumes from libraries at Harvard, the University of Michigan, the New York Public Library, Oxford, and Stanford, authors and publishers launched a class action copyright infringement against Google claiming that Google had violated the plaintiffs' copyrights and those of other copyright rightsholders by scanning their books, creating an electronic database, and displaying short excerpts without the permission of the copyright holders.

After over two years of negotiation, in 2008, Google announced an agreement to pay $125 million dollars to settle the lawsuit.[7] The settlement agreement also included licensing provisions, allowing Google to sell personal and institutional subscriptions to its database of

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[2] Authors Guild v. Google Inc., No. 05-CV-08136 (S.D.N.Y. Mar. 22, 2011).

[3] Authors Guild Inc. v. Google Inc., No. 05 Civ. 8136 (S.D.N.Y. Sept. 20, 2005) (a class action filed by representative authors and the Authors Guild) and McGraw-Hill Companies Inc. v. Google Inc., No. 05 Civ. 8881 (S.D.N.Y. Oct. 19, 2005) (an action filed on behalf of five publishing companies).

[4] Authors Guild at 1.

[5] "About Google Books: History of Google Books," *available at* http://books.google.com/googlebooks/history.html.

[6] *Id.*

[7] Authors Guild v. Google Inc., No. 05-CV-08136 JES (S.D.N.Y. Oct. 28, 2008).

books. In 2009, the parties filed an Amended Settlement Agreement ("ASA"), seeking court approval of the settlement pursuant to Rule 23 of the Federal Rules of Civil Procedure.[8] The amended settlement agreement provided in pertinent part that:

- Google would pay $45 million to copyright owners whose books were digitized without permission on or before May 5, 2009 and $34.5 million to establish a Book Rights Registry.[9]
- Google would also have to pay rightsholders 63 percent of all revenues received from commercial book uses.[10]
- Google would be authorized to continue digitizing books or book sections (of works either registered with the U.S. Copyright Office or published in the United Kingdom, Australia, or Canada)[11] but the rights granted to Google would be non-exclusive.[12]
- Rightsholders would have a rights clearance mechanism to limit what Google previewed in search results.[13]
- Rightsholders would retain the right to authorize others, including competitors of Google, to use their work in any way.[14]
- Revenues would be distributed according to an allocation plan in the agreement.[15]
- Google was required to hold payments due to an orphan work's rightsholder in the event he was ever found. Otherwise, those funds would be distributed *cy-près*.
- Google would have to obtain authorization from rightsholders to display in-print books but Google could display out-of-print books without the prior authorization of the books' rightsholders, unless they ask Google to cease the display.[16]

Several groups, including the Department of Justice and some class members, objected to the Amended Settlement Agreement on a variety of grounds, including antitrust, intellectual property, and privacy. One concern was that Google would become "the only competitor in the digital marketplace with the rights to distribute and otherwise exploit a vast array of works in multiple formats."[17] Another concern revolved around the question of whether the class-action lawsuit was an inappropriate vehicle for resolving long-standing problems in copyright law. Other objections focused on the fact that Google could control the sale and distribution of out-of-print and orphaned works. In the end, Judge Chin deferred to these concerns, leaving the Google Book project at a standstill.

[8] Authors Guild v. Google Inc., No. 05-CV-08136 DC (S.D.N.Y. Nov. 13, 2009).
[9] Settlement Agreement at 24.
[10] *Id.*
[11] Settlement Agreement at 29.
[12] Settlement Agreement at 26.
[13] Settlement Agreement at 30.
[14] *See* Settlement Agreement generally.
[15] *See* Settlement Agreement generally.
[16] *See* Authors Guild v. Google Inc., No. 05-CV-08136 DC (S.D.N.Y. Nov. 13, 2009).
[17] Authors Guild v. Google Inc., No. 05-CV-08136 DC (S.D.N.Y. Feb. 4, 2010).

III. THE COURT VALIDATES CERTAIN CONCERNS

In the rejection of the ASA, Judge Chin, writing for the Southern District of New York, concluded that the settlement was ultimately legally unsound. Judge Chin postulated that "[w]hile the digitization of books and the creation of a universal digital library would benefit many, the ASA Amended Settlement Agreement ("ASA") would simply go too far ... Indeed, the ASA would give Google a significant advantage over competitors, rewarding it for engaging in wholesale copying of copyrighted works without permission, while releasing claims well beyond those presented in the case."[18]

Among the many issues central to this case is the problematic intersection between antitrust and copyright laws as related to orphan works—works whose copyright holders are unknown or who cannot be found. These works remain a constant frustration: publishers, film makers, museums, libraries, universities, and private citizens must constantly manage liability when a copyright owner cannot be identified or located due to the high damages afforded by the copyright statute for any sort of infringement. Filmmakers and museums have testified that historically significant archival documents, photographs, oral histories, and films remain unpublished or digitized as a result of this issue. In short, these works remain unused and unseen until they fall into the public domain about a century after their creation.

The Amended Settlement Agreement envisioned an "opt-out" framework for all works—orphaned or otherwise—such that rightsholders were required to "opt out" of having their works scanned and included in the Google Books project. The parties claimed that creating an opt-out exception would better serve the purposes of the Constitution's Copyright Clause by promoting the progress of science and the useful arts. Such a system would also finally make orphaned works accessible to the consuming public in an unprecedented approach that would hold no entity liable for copyright infringement.

Critics advanced two major issues with the "opt-out" framework. First, they argued that because it is a copyright owner's exclusive right to determine who may use his work, opting in by mere silence or inaction could not be deemed sufficient as imagined by copyright law. Second, critics worried about the antitrust implications of having the long sought-after access to orphaned works being provided to the public by only one party.

In the end, Judge Chin was unprepared to allow a class action settlement agreement to be a new pathway to legitimization of what could be future anticompetitive activities. However, he did not take an affirmative stand with respect to either the antitrust or the copyright issue, instead holding that this was a judgment better suited for legislative consideration, rather than one for courts to make in the context of approving a settlement under Rule 23. He wrote, "The questions of who should be entrusted with guardianship over orphan books, under what terms, and with what safeguards are matters more appropriately decided by Congress than through an agreement among private, self-interested parties. Indeed, the Supreme Court has held that 'it is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause's objectives.'"[19]

[18] Authors Guild v. Google Inc., No. 05-CV-08136 (S.D.N.Y. Mar. 22, 2011).

[19] Authors Guild v. Google Inc., No. 05-CV-08136 (S.D.N.Y. Mar. 22, 2011) (citing Eldred v. Ashcroft, 537 U.S. 186, 212 (2003)).

IV. A PATH FORWARD?

Although the Court struck down the proposed settlement, it did so without prejudice, giving the parties an opportunity to further amend the agreement. Judge Chin even hinted that changing the procedure from an opt-out to opt-in might past judicial muster.

However, moving to an "opt-in" scenario has obvious drawbacks, including an enormous limitation on the quantity of material available to catalog and on which to capitalize. If the purpose of the book project is create a worldwide searchable digital library, then reducing the material to only those authors who "opt-in" to the project presents a detrimental limitation in the project's value. For example, it is unlikely that a search engine would have ever been successful or useful if website operators were required to affirmatively "opt in" to be found.

Signaling the difficulty in finding a solution that balances all of the stakeholders' concerns, the parties recently reported to the Court on June 1, 2011 that no new settlement had been reached. The parties remain in discussions, but if history is any indication, a definitive resolution in this matter may not come quickly—if at all.

VI. CONCLUSION

Few would disagree that digitization of books has significant advantages, including unprecedented access to and search of the world's accumulated written works—an opportunity that could certainly catalyze the progress of science and the useful arts. And many argue that rewarding Google for making a significant investment in the creation of its "digital library" leads to economic efficiencies and benefit for the public. In fact, to some, the scope of the Google Book Search project is reminiscent of the growth of the railroad industry or the electric utility businesses in which big technology and high cost of investments led a single company to dominate a market.

The rejection of the Amended Settlement for the Google Book Project underscores the frustrated dichotomy between old laws and new media. While skillful attorneys have worked to adapt legal frameworks to unprecedented technological platforms, this situation highlights the fundamental need for lawmakers to seriously address, consider, and make decisions regarding our changing digital world.