13-4829-cv

United States Court of Appeals

for the

Second Circuit

THE AUTHORS GUILD, BETTY MILES, JIM BOUTON, JOSEPH GOULDEN, individually and on behalf of all others similarly situated,

Plaintiffs-Appellants,

HERBERT MITGANG, DANIEL HOFFMAN, individually and on behalf of all others similarly situated, PAUL DICKSON, THE MCGRAW-HILL COMPANIES, INC., PEARSON EDUCATION, INC., SIMON & SCHUSTER, INC., ASSOCIATION OF AMERICAN PUBLISHERS, INC., CANADIAN STANDARD ASSOCIATION, JOHN WILEY & SONS, INC., individually and on behalf of all others similarly situated,

Plaintiffs,

v.

GOOGLE, INC.,

Defendant-Appellee.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

REPLY BRIEF FOR PLAINTIFFS-APPELLANTS (UN-SEALED REDACTED VERSION)

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ARGUMENT

Google is asking this Court to rewrite copyright law. It submits that the Copyright Act allows a commercial enterprise to copy and display the text of millions of books, for profit, without having to pay authors a dime. To reach that implausible result, Google urges this Court to disregard almost all of the statutory factors used to determine whether the use of copyrighted material is fair.

In Google's view, it does not matter that Google undertook this massive venture for a highly commercial purpose—to feed Google's hugely profitable search engine, now generating *over $50 billion* a year in revenue, while at the same time preventing competitors from achieving comparable results. Nor does it matter that Google's unilateral action closed the door on the potential for authors to receive revenue from new commercial uses of their works in this age of dwindling book sales. It does not matter that the Library Project (unlike the HathiTrust index) displays verbatim text from the digitized books, allowing people to browse and read key portions of books without buying or borrowing them. Likewise, Google argues that it does not matter that it gave full digital copies of the books to its library partners for no reason other than as payment for their cooperation.

All of these facts must be disregarded, argues Google, because its search product allows users to discover and research information contained in books—supposedly a transformative purpose. And once there is a finding that one aspect

of its use is transformative, Google claims, all the other fair-use factors should be thrown out the window. That is not, and should not become, the law.

To the contrary, under the Copyright Act, Google should have obtained licenses from rightsholders. Rectifying that failure would not require the destruction of Google's search index or the digitized books. Rather, appropriate relief could come in the form of damages and ongoing royalties, combined with an injunction to forestall future infringement and requiring Google to implement and maintain appropriate security measures. Granting such relief would mean that authors, the very creators whose work so enhanced Google's search engine, would finally be treated fairly, retrospectively and prospectively.

I.
COPYING MILLIONS OF BOOKS FOR INGESTION INTO A HIGHLY COMMERCIAL SEARCH ENGINE IS NOT FAIR USE

Turning first to the legality of Google's massive book copying, Google argues that the social utility of allowing people to search the full text of books justifies Google's refusal to seek licenses from copyright holders. But that is the wrong focus. While a Google user might use Google Books for any number of reasons, including scholarship and personal entertainment, Google's own purposes are entirely commercial. Google copied the books to enrich the content of its crown jewel: its enormously profitable search engine. And it is Google's purpose, not that of its users, which matters when determining fair use. *See Infinity*

Broadcasting Corp. v. Kirkwood, 150 F.3d 104, 108 (2d Cir. 1998) ("[I]t is [defendant's] own retransmission of the broadcasts, not the acts of his end-users, that is at issue here . . . .").[1]

By digitizing and indexing the entirety of millions of copyright-protected print books, Google offers users the ability to search premium content that is unavailable elsewhere. This drives more traffic to Google's search engine, which in turn increases page views and Google's resulting advertising revenue. Google's Library Project gave Google a tremendous advantage over its competitors and helped it dominate the search-engine market, an anticompetitive feat that previously drove the District Court to reject a settlement agreement because it left Google's monopoly over book search untouched. *See Authors Guild v. Google Inc.*, 770 F. Supp. 2d 666, 682-83 (S.D.N.Y 2011) (Chin, J.).

[1] Google attempts to distinguish *Infinity* on its facts (Opp. Br. at 55), but this Court's holding—that it is the purpose of the alleged infringer, not end users, that counts when looking at the first fair-use factor—remains good law. *See Princeton Univ. Press v. Michigan Document Servs., Inc.*, 99 F.3d 1381, 1389 (6th Cir. 1996) ("The courts have . . . properly rejected attempts by for-profit users to stand in the shoes of their customers making nonprofit or noncommercial uses.") (quoting William Patry, *Fair Use in Copyright Law*, at 420 n.34). *See also Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994) (analyzing parodic purpose of *band*, not the band's listeners, in determining whether unauthorized use of song was fair use); *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605 (2d Cir. 2006) (analyzing biographical purpose of *anthologist*, not his readers, in determining whether use of posters was fair).

Google attempts to obfuscate its commercial motives by noting that the "About the Book" page created by Google for each scanned book contains no advertising and that Google receives no payment when a "buy the book" link is clicked. Opp. Br. at 8. But as was shown in Google's own brief, when a user searches the database for "Steve Hovley" (a baseball player), the results page displays not only a list of books and excerpts that contain that name, but also at least four *advertisements*, in the right hand margin, triggered by that particular search. *See id.* Given that search results pages are the greatest source of Google's advertising revenue, Google and the District Court are wrong to disregard the fact that Google profits by placing ads that are triggered by, and displayed alongside, content from the Authors' digitized books.

Google is further mistaken in contending that "[t]he fact that Google is a commercial entity does not weigh against fair use." Opp. Br. at 32. In applying the first fair-use factor, Congress specifically instructed courts to consider "whether such use is of a commercial nature or is for nonprofit educational purposes." 17 U.S.C. § 107(1). The commerciality of a project matters because it demonstrates an ability of the copier to pay for the use and, most importantly, a fundamental *fairness* in requiring the copier to do so.[2] Google, one of the world's

[2] Google's annual revenue from search engine advertising exceeds $50 billion and it has more than $60 billion in cash reserves. *See* "Press Release: Google Inc. Announces Second Quarter 2014 Results and Management Change," July 17,

wealthiest corporations, established industrial-scale scanning operations throughout the country and scanned, digitized and reproduced the entirety of *millions* of copyright-protected books for the primary purpose of ingesting the content into its search engine and using the content to amass advertising revenue. Google has the means and ability to pay for the right to scan and use the books in its profitable search engine, but instead it did so for free, without permission.

Here, where any "transformativeness" is accompanied by immense financial benefits derived from the direct copying and use of entire works, it would be error to ignore or trivialize the commercial nature of the use. *See Campbell*, 510 U.S. at 591; *Blanch v. Koons*, 467 F.3d 244, 262 (2d Cir. 2006) (Katzmann, J., concurring) (where a use is "not for one of the archetypal purposes specifically contemplated by Congress . . . it is uncertain whether we have license to 'discount' its commercial nature, as opposed to balancing that consideration against the use's transformativeness and other countervailing concerns—particularly because

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2014, http://goo.gl/5jbWWV. By contrast, the entire U.S. publishing industry generates less than $30 billion annually. *See* U.S. Census Bureau, "Service Annual Survey 2012, Table 8: Estimated Revenue by Product and Class of Customer for Employer Firms," Dec. 18, 2013, http://www2.census.gov/services/sas/data/table8.xls. And, of course, authors receive only a small portion of publishers' revenues in the form of royalty payments or otherwise.

consideration of a use's commercial nature (unlike its 'transformativeness') is explicitly part of our statutory mandate").[3]

Google argues that two features of the indexed books—that they are published and mostly non-fiction—weigh in favor of a fair-use finding. But the fact that a book has been published does not make it fair game for ingestion into an online search engine. Publishers of web pages impliedly license search engines to copy and index their work by sharing it on the Internet without employing available technical means to restrict access. *See Field v. Google Inc.*, 412 F. Supp. 2d 1106, 1116-17 (D. Nev. 2006). Authors of print books grant no such license. *See* Br. for Authors Malcolm Gladwell *et al.* as *Amici Curiae* in Supp. of Plaintiffs-Appellants, ECF No. 73. Authors, not Google, have the right to decide whether to permit their books to be digitized, used and commercially exploited by search engines.

As for the predominance of non-fiction works, two points bear emphasis. *First,* Google copied and exploits hundreds of thousands, if not millions, of works

[3] The commercial nature of the Library Project stands in stark contrast to the index and search functions of the not-for-profit, academically driven HathiTrust Digital Library found to be fair use in *Authors Guild, Inc. v. HathiTrust*, No. 12-4547, 2014 WL 2576342 (2d Cir. June 10, 2014). Thus, even if, as this Court held, the creation of a full-text searchable database by a non-profit, educational institution or library is transformative, the commercial nature of the Library Project (among other factors discussed herein) distinguishes this case from *HathiTrust*.

of fiction. *Second*, as discussed below, Google's displays are more likely to harm the economic interests of authors of non-fiction works. Such works are often consulted in searches for relatively narrow types of information that can readily be found by reviewing small portions of a work without ever accessing the full text.

In arguing that the Library Project could not possibly cause any market harm, Google states that "[a]uthors and publishers traditionally have not received license fees for the types of uses Google Books makes of their works, namely indexing and the display of short snippets." Opp. Br. at 16. The facts indicate otherwise. In 2004, when Google first launched the Library Project, corporations like Microsoft and Amazon were also establishing book digitization programs. Unlike Google, they limited their scanning to authorized works and works in the public domain. (*See* A56, A67.) Given the competitive landscape and immense commercial value that a full-text searchable database of copyright-protected books brings to a search engine or an online bookseller, a market for indexing, search and snippet display was, at that time, both "reasonable" and "likely to be developed." *Am. Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 930 (2d Cir. 1994). However, Google pre-empted that emerging market by proceeding to scan and capitalize upon copyrighted books without a license. [redacted]

[redacted]

Now, Google claims "it is implausible that rightsholders would be paid anything at all for the search and snippet uses of the Library Project." Opp. Br. at 49.[4] But who would pay for a license after Google copied and indexed virtually all of the world's books for free? If this Court affirms the District Court's decision, potential licensees who otherwise would have paid for the right to make these uses now will be permitted to do so without a license, forever precluding authors from realizing a new revenue stream while further entrenching Google's monopoly. *See Campbell*, 510 U.S. at 590 (fourth factor "requires courts to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also '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").

[4] Recent developments outside the U.S. disprove this claim. As discussed in the Authors' opening brief (Br. at 49-50), Norway and Sweden have reached licensing agreements providing for the digitization of their national collections, and Google itself has reached an industrywide digitization agreement in France. The fact that these collective arrangements may provide users with more functionality than Google offers in the Library Project does not mean that a market for search engines, libraries and other users to obtain licenses for the right to index and display verbatim excerpts of books for commercial purposes is not "reasonable" or "likely to be developed." *Texaco*, 60 F.3d at 930.

Relying on *HathiTrust*, Google further claims that its foreclosure of a licensed digitization market, like its commercial motives, is irrelevant because one aspect of its use was found to be transformative. Opp. Br. at 46. However, the Supreme Court in *Campbell* did not hold that the potential market harm caused by a transformative use is irrelevant to the fair-use calculus. Rather, the Court held that when "the second use is transformative, market substitution is at least less certain, and market harm may not be so readily inferred." *Campbell*, 510 U.S. at 591. Here, where a licensing market likely would have developed but for Google's usurpation of that market and the infringer's business was built on the backs of authors, the fourth factor weighs against fair use. *See Princeton*, 99 F.3d at 1385-1389 (unlicensed copying and sale of book excerpts for profit by commercial enterprise is not fair use).[5]

Google and various *amici* proclaim that, far from foreclosing valuable licensing rights, the Library Project stimulates the sale of books and is widely embraced by authors. But that claim is without support in the record. Factually, the most that Google can point to is unremarkable testimony that the discovery of a

[5] If Google's view were carried to its logical conclusion—that a transformative use can never cause relevant market harm—it would mean that even if there were an established market for licensing digital copies of printed books for search and snippet display, Google could still proceed without a license because the transformative nature of its use would render the existence of a market irrelevant.

book is a necessary precursor to a sale. *See* Opp. Br. at 12 (citing A210-14). Google offers no evidence that users ever, much less *frequently*, click the hyperlinks to Amazon or other book retailers upon discovering a book through the Library Project.[6] There is no question that Google, one of the most sophisticated aggregators of data in the world, tracks the number of times users click on these links to buy books. The absence of data in the record supports an inference that, in fact, people generally use the Library Project to discover and browse *information* contained in books (not just to discover the existence of a book), and once the desired information is located, there is no need to buy the book from online retailers.

As a legal matter, courts have properly rejected similar defenses of "our unauthorized use only helped you get discovered." *See, e.g.*, *Campbell*, 510 U.S. at 590 n.21 (increased sales of previously unknown song due to unlicensed use in film does not make the copying fair); *Ringgold v. Black Entm't Television, Inc.*, 126 F.3d 70, 81 n.16 (2d Cir. 1997) (no fair use "even if the unauthorized use of

[6] Google has not submitted any evidence that the Library Project ever resulted in the sale of a single book. (*Cf.* CA58, CA108.) Indeed, Google's supposed expert on this subject testified that she had "not done any empirical analysis of the sales of books that were on Google Books." (A894.)

plaintiff's work in the televised program might increase [plaintiff's] comic book sales . . . .").[7]

Finally, Google offers no persuasive response to the Authors' concern about the security of millions of unauthorized digital copies of their works stored on Google's servers. It argues that "[t]he scans are protected by the same security systems Google uses to protect its own confidential information" and that it is unaware of any thefts of works to date. Opp. Br. at 50-52.[8] But these points do not render the Authors' concern about a data breach speculative. Google's own public filings disclose that Google "experience[s] cyber attacks of varying degrees on a

[7] The fact that *some* authors, such as the 400 who make up the Authors Alliance, may want their books to be freely available via Google's search engine does not mean that other authors, who make a living by being paid for use of their works, must agree. After all, any author may choose to make his or her work freely available on Google or anywhere else. Copyright law gives authors the exclusive right to choose when and under which circumstances others may digitize and commercially exploit their books. *See* 17 U.S.C. § 106. The Authors in this case, the coalitions of authors and creators of content and art who were moved to submit *amicus* briefs here and other like-minded stakeholders must be able to exercise those rights. *See* Br. for Authors Malcolm Gladwell *et al*. as *Amici Curiae* in Supp. of Plaintiffs-Appellants, ECF No. 73.

[8] Google's claim that its "digital scans are stored on computers that are not connected to the public Internet" (Opp. Br. at 51) is misleading. In fact, the declaration cited by Google in support of this claim states that "[t]he Google servers which hold the complete scans of books and related information are *not publicly accessible*." (A393 ¶ 3) (emphasis added). This is a far cry from being stored on an "offline" server, which is how the Authors demand that their digitized books be maintained.

regular basis, and as a result, unauthorized parties have obtained, and may in the future obtain, access to [its] data or [its] users' or customers' data." Google 10-K, http://goo.gl/IzcXEz.

Moreover, "[s]ince there are occasions when every vessel will break from her moorings," it is not just the likelihood of a breach that concerns rightsholders, but the lack of accountability to rightsholders and immense gravity of the harm that would ensue if a data breach were to occur. *United States v. Carroll Towing Co.*, 159 F.2d 169, 173 (2d Cir. 1947) (Hand, J.). The database of books stored on Google's servers is a treasure trove of intellectual property; its theft would decimate the literary market if it fell into the wrong hands. *See* S. Rep. No. 190, 105th Cong., 2d Sess. 61-62 (1998) (requiring libraries using digitized books to implement security measures in recognition that "uncontrolled public access" to digital copies of books "could substantially harm the interests of the copyright owner by facilitating immediate, flawless and widespread reproduction").

Google notes the absence of any prior cases in which the risk of a data breach weighed against fair use, but no other case (other than *HathiTrust*) involved the unauthorized reproduction and storage of millions of copyright-protected books in digital format. While hackers and activists are unlikely to target a few "scans of photographs," "a database of student papers" or "computer software extracted from a computer chip" (Opp. Br. at 52), they already have manifested a mission to

"free" the types of copyrighted works misappropriated by Google. *See* Ryan Singel, *Feds Charge Activist as Hacker for Downloading Millions of Academic Articles*, Wired, July 19, 2011, *available at* http://goo.gl/JqfWDe.

In sum, Google must not be permitted to rewrite copyright law and upset the longstanding balance between the rights of copyright owners and users, simply to grease the wheels of its own profit-making machine.

II.
GOOGLE'S DISPLAY OF LARGE PORTIONS OF COPYRIGHTED WORKS IS NOT FAIR USE

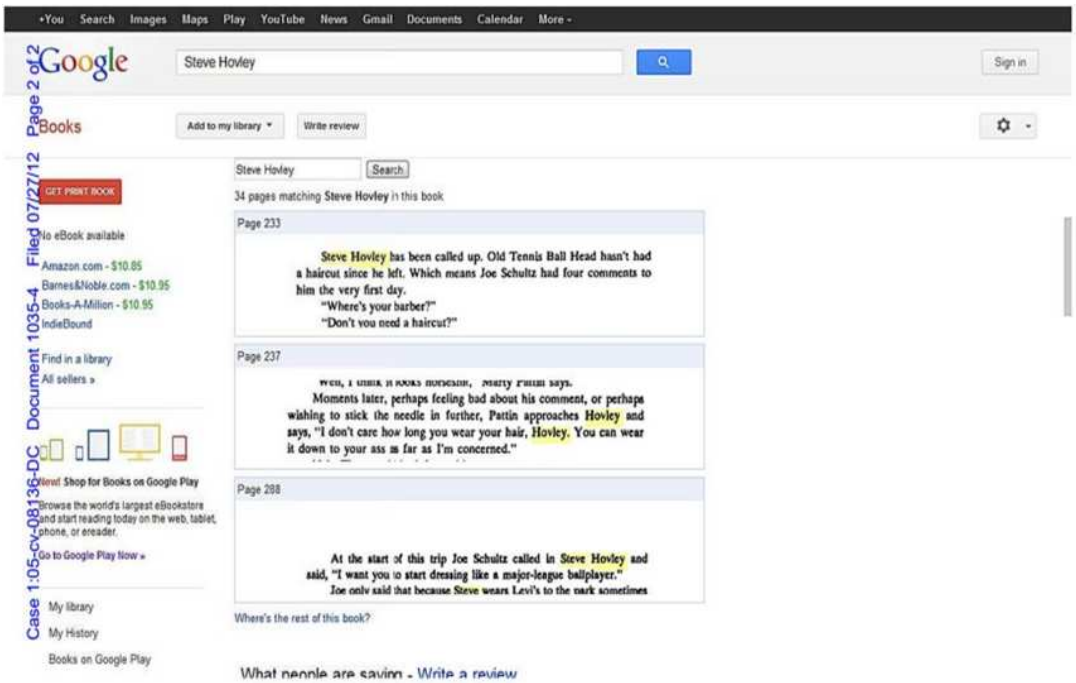
This Court's holding in *HathiTrust*, that the creation of a full-text searchable database is transformative,[9] does not mean that the *display* of verbatim text from millions of copyrighted books is transformative as well. Google's sole justification for this use is that "'snippets help users locate books and determine whether they may be of interest.'" Opp. Br. at 31 (quoting SPA20). According to Google, these displays of copyrighted material make the index "significantly more valuable without in any way superseding use of the original books." *Id.* at 32. This conclusory analysis reflects a fundamental misconception about the way that people experience and consume books.

[9] The Authors respectfully submit that this holding, although binding here, was erroneous and preserve the right to contest it in later stages of this case.

The *HathiTrust* Court understood the difference between creating a searchable index of a book and displaying the book itself, emphasizing that "[i]mportantly, as we have seen, the HDL does not allow users to view any portion of the books they are searching." *HathiTrust*, 2014 WL 2576342, at *7; *see also id.* ("[T]he result of a word search is different in purpose, character, expression, meaning, and message from the page (and the book) from which it is drawn. Indeed, we can discern little or no resemblance between the original text and the results of the HDL full-text search."). The distinction drawn by the Court between indexing and display uses reflects the fact that a transformative use is one that "adds something new, with a further purpose or different character, altering the first with new expression, meaning or message." *Id.* at *6 (quotations omitted). Unlike the creation of a searchable index, the display of verbatim text does nothing more "than repackage or republish the original copyrighted work." *Id.*

A comparison of HathiTrust's index results and Google's snippet display shows how the latter merely repackages the books' content into digital form. *Compare*

id. at *1 (screenshot of the results of HathiTrust search that was deemed transformative), *with*



Opp. Br. at 9-10 (citing A244, A246) (screenshot of results of Google Books search displaying verbatim text from original work). Google's self-serving claim

that its displays of copyrighted materials are used to point readers in the direction of a book does not change the fact that Google has not transformed or added anything new to the underlying text.

Moreover, other than *post hoc* pronouncements, Google has not met its burden to show that the predominant use of snippets is to locate books of interest, as opposed to obtaining information from those books. *See Texaco Inc.*, 60 F.3d at 918 ("[T]he party claiming that its secondary use of the original copyrighted work constitutes a fair use typically carries the burden of proof *as to all issues in the dispute*.") (emphasis added). Indeed, nothing in the record indicates that snippet display is ever used in such a limited manner.[10]

People buy and access books for a variety of reasons and uses. While Google suggests that books always are intended to be read cover-to-cover, at least

[10] *Amicus* for Google, the Authors Alliance, makes much of the fact that Google's expert, Hal Poret, found that 45% of 880 respondents to a survey thought that Google's snippet view would improve sales of their books. *See* Br. for *Amicus Curiae* Authors Alliance in Supp. of Defendant-Appellee and Affirmance at 27, ECF No. 150. For a variety of reasons, these findings are irrelevant. The Authors Guild and *amici* author associations obviously do not share in this view, and, apparently, neither did the majority of Mr. Poret's respondents. Moreover, Judge Chin did not find this survey at all persuasive. *See Authors Guild v. Google, Inc.*, 282 F.R.D. 384, 394 (S.D.N.Y. 2012).

as often books are consulted for a specific piece of information.[11] As already noted, that is particularly true in the case of non-fiction works, which make up the majority of the works at issue here. *See* Opp. Br.at 36. For readers using Google Books to locate information, the "heart" of a book is defined not by an objective standard (*e.g.*, a U.S. President's description of his decision to pardon his predecessor or a famously descriptive scene from a novel), but subjectively—by the very information sought by the user. For example, if a user wanted to learn what Jim Bouton said about Steve Hovley in *Ball Four*, she could formulate a search to display the portion of the book that contains the requested information—in the same way that one browses a book when seeking specific answers. (A246.)

In short, Google's snippet display allows users to get exactly what they seek in a book without buying anything. Google "cites the most important parts of the work, with a view, not to criticize, but to supersede the use of the original work, and substitute the review for it," and thus should "be deemed in law a piracy." *Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass 1841).

Google attempts to piggyback its verbatim display of pages of copyrighted books onto the full-text search found to be transformative in *HathiTrust*. But the

[11] Google concedes this fact by disabling snippet view for certain categories of works, such as dictionaries, books of short poems and cookbooks. *See* Opp. Br. at 11.

HathiTrust Court rejected this approach, holding that making copyrighted works available in formats accessible to the blind "enables a larger audience to read those works, but is the same as the author's original purpose." 2014 WL 2576342, at *11. Similarly, displaying verbatim text to users looking for that text may allow more people to discover the work, but is the same as the author's original purpose.

Because verbatim text display is a non-transformative use, Google is plainly wrong when it dismisses concerns about market harm with regard to its displays of copyrighted materials. *See* Opp. Br. at 46. Even if market harms caused by transformative uses were categorically irrelevant under factor four (and they are not, *see supra* at 9), the harm caused by the non-transformative displays, which supersede the original works, weighs against fair use.

Finally, reproduction and display of excerpts, even short ones, have long been held to be copyright infringements. *See, e.g.*, *Roy Exp. Co. Establishment of Vaduz, Liechtenstein, Black Inc., A. G. v. Columbia Broad. Sys., Inc.*, 503 F. Supp. 1137, 1145 (S.D.N.Y. 1980), *aff'd*, 672 F.2d 1095 (2d Cir. 1982) (fifty-five seconds of a one hour and twenty-nine minute film could be qualitatively substantial); *HarperCollins Publishers L.L.C. v. Gawker Media LLC*, 721 F. Supp. 2d 303, 306 (S.D.N.Y. 2010) ("portions of 12 pages" of an entire memoir "amounts to a substantial portion of the Book"); *Pryor v. Warner/Chappell Music, Inc.*, CV 13-04344, 2014 WL 2812309 (C.D. Cal. June 20, 2014) (defendants' use

of half-second long, "two-word snippet" from 6-minute long musical recording may be copyright infringement).

In fact, there is an existing market for licensing short excerpts. *See*, *e.g.*, *U.S. v. ASCAP*, 599 F. Supp. 2d 415 at 422, 432 (S.D.N.Y. 2009) (performance rights organization established market for ringtone previews). It therefore makes sense that Amazon asked publishers for permission to scan entire books and display up to twenty percent of those books in response to customer searches. (A56.) Under Google's scheme, a full 78% of any given work is susceptible to display. Again, the fact that an *end user* may view three snippets at a time does not weigh in favor of fair use where *Google* displays the majority of millions of books in order to drive advertising revenue. *See Infinity*, 150 F.3d at 108.

III.
GOOGLE'S COPYING AND DISTRIBUTION OF BOOKS TO LIBRARIES IS NOT FAIR USE

Google argues that making full-text digital copies for its library partners—infringing conduct that has nothing to do with setting up or operating Google Books—is non-infringing because (1) it does not implicate the distribution right under 17 U.S.C. § 106(3), and (2) it assists the library partners' fair uses. Google's first argument ignores that the reproduction right is squarely at issue, and its second argument is legally irrelevant and factually incomplete. Analyzed properly,

Google's non-transformative reproduction of copyrighted works for use as currency is infringement, pure and simple.

Contrary to Google's narrow framing of the issue (*see* Opp. Br. at 53-57), the Authors have long contended that Google's copying and dissemination of digital books to the libraries implicates *both* the reproduction and distribution rights under the Copyright Act.[12] Moreover, the undisputed facts establish that Google is responsible for the creation of the library copies. Upon a given library partner's request, Google's GRIN system creates an additional full digital copy of any book scanned from that library's collections and makes that additional copy available for download. (A396-97.) Independent of the copies made for search and display purposes, Google has made copies of at least 2.7 million books for its library partners through the GRIN system. (A430.)[13]

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[12] *See, e.g.*, Br. at 35-36; Pls.' Mem. of Law in Opp. to Google's Mot. Summ. J. at 16, ECF No. 1070 ("Google engaged in repeated violations of plaintiffs' *Reproduction* right under Section 106(1) by itself reproducing . . . millions of books to be stored on the libraries' own servers for the libraries' own uses."); Mem. of Law in Supp. of Pls.' Mot. for Partial Summ. J. at 14, ECF No. 1050; Pls.' Reply in Supp. of Mot. for Partial Summ. J. at 8, ECF No. 1085.

[13] Google has correctly abandoned its earlier argument that because "[t]he GRIN system makes no copies unless and until the user triggers the creation of copy," Google does not engage in volitional conduct sufficient to constitute direct infringement. Reply in Supp. of Def.'s Mot. for Summ. J. at 12-14, ECF No. 1084. That argument depended on a "bright-line rule" of volitional conduct derived from *Cartoon Network LP v. CSC Holdings, Inc.*, 536 F.2d 121 (2d Cir. 2008). In the

The GRIN system exists solely to make good on Google's contractual obligations to make digital copies of copyrighted works for its library partners. Indeed, unlike Google's declarations filed in support of summary judgment (which are carefully drafted to track perceived loopholes in the copyright law), Google's agreements with the libraries make clear that Google, not the libraries, would be the party responsible for making and disseminating the libraries' digital copies.

[redacted][14]

Once that reality is established, the fair-use inquiry regarding the library copies is quite straightforward. All four fair-use factors militate strongly against a finding of fair use: Google's purpose of using digital copies as payment is plainly

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wake of *American Broad. Cos. v. Aereo, Inc.*, 134 S. Ct. 2498 (2014), which rejected a comparable volition argument, such a claim is no longer tenable.

[14] Because the Authors have presented a *prima facie* case of infringement of the reproduction right under Section 106(1), whether Google's distribution to libraries *also* constitutes distribution "to the public" under Section 106(3) (*see* Opp. Br. at 56-57) is of no moment: regardless of the answer to that question, Google has reproduced copyrighted works for the libraries and is therefore liable for infringement unless those particular copies are deemed to be fair use.

non-transformative; those copies are complete and contain material at the core of copyright protection; and the use harms existing and developing markets for full-text digitization.

With regard to factor one, it is important to recognize that Google's copying of books for library partners bears absolutely no functional or technological relationship to the full-text search, Ngrams, or other uses that Google touts in describing the Library Project. Rather, Google's purpose in creating and disseminating the library copies is purely one of business strategy: it uses the digital books as currency, paying for the right to make and retain digital versions of the libraries' print copies by making more digital copies at a library partner's request. Thus, regardless of whether Google's creation of full-text book search engine is transformative, giving libraries digital copies of books as part of a bargain is not.

Even pro-Google commentators concede this point. Jonathan Band, who authored the American Library Association *amicus* brief, has written that "Google made the library copies *as consideration for obtaining access* to the book for the purpose of making the index copy." *The Long and Winding Road to the Google Books Settlement*, 9 J. Marshall Rev. Intell. Prop. L. 227, 257 (2010) (emphasis added). Edward Lee, upon whose "technological fair use" framework the Electronic Frontier Foundation bases an entire section of its *amicus* brief, has noted

that "[t]he library copies are not technologically necessary to create or operate [Google Book Search]," concluding that "[s]uch 'bargain' uses . . . [must] be analyzed under a standard fair use analysis," rather than under his proposed framework. *Technological Fair Use*, 83 S. Cal. L. Rev. 797, 798 (2010).

Nor can Google's creation of the library copies be justified based on the uses to which the libraries put those copies. As noted above, this Court has made clear that the purposes of an infringer's end users have no bearing on whether the infringer's conduct constitutes fair use. *See Infinity*, 150 F.3d at 108; *see also ASCAP*, 599 F. Supp. 2d at 427. Rather than rebutting this authority, Google simply continues to justify its copying based on "the libraries' own fair uses of creating a search tool and expanding access to books for print-disabled individuals." Opp. Br. at 55-56.

Putting aside the irrelevance of these uses, the library partners are not nearly as constrained as Google suggests: under their agreements with Google, the library partners have wide discretion to determine how to use their digital copies within the bounds of copyright law, as the libraries perceive those bounds. [redacted]

[redacted]

HathiTrust further supports the conclusion that the library copies are non-transformative. There, the Court made clear that "[a]dded value or utility is not the test for whether a use is transformative" and, further, that a use does not become transformative simply by making a "contribution to the progress of science and the cultivation of the arts." 2014 WL 2576342, at *6. Applying this principle, the Court held that the defendants' provision of the full text of copyrighted works to print-disabled patrons was not transformative. Rather, the print-disabled copies were on their face like "[p]aradigmatic examples of derivative works." *Id.* at *11. Here, Google's use may create "added value or utility," but it does not "add[] something new to the copyrighted work." *Id.* Instead, it "supersede[s] the purposes of the original creation." *Id.*

Of course, there is one critical difference between Google's library copying and the *HathiTrust* libraries' print-disabled copying: no special carve-out exists for the purpose of using books as in-kind payment. Because "the unique circumstances presented by print-disabled readers" are not present here, there is nothing that makes Google's non-transformative purpose nevertheless "valid" for purposes of the factor one analysis. *Id.* at *12. Accordingly, the first fair-use factor weighs strongly against fair use.

HathiTrust's analysis of the library defendants' print-disabled copying is equally applicable to the analysis of the second fair-use factor here. As in

HathiTrust, the relevant third parties—in this case, the library partners—"can obtain [copies of] copyrighted works of all kinds, and there is no dispute that those works are of the sort that merit protection under the Copyright Act." *Id.*; *see supra* at 6-7. Further, because the library partners' uses are not limited to indexing and snippet display, Google cannot argue, as it does elsewhere, that its use "does not allow users to read expressive works as they would the original books." Opp. Br. at 23. "As a result, Factor Two weighs against fair use." *HathiTrust*, 2014 WL 2576342, at *12. While the other fair-use factors mitigated this conclusion in *HathiTrust*, they only reinforce it here.

The third fair-use factor "asks . . . whether [defendant's] copying was excessive in relation to any valid purposes asserted under the first factor." *Id.* at *6. It is undisputed that Google makes copies of the entirety of any work requested by a library partner. Because Google has articulated no purpose that is "valid" under the first factor, its copying of whole books for the library partners is undoubtedly excessive. Nothing in Google's brief—and nothing in the copyright law—suggests otherwise.

Finally, Google simply ignores the fourth fair-use factor as it relates to the library copies, failing to address the Authors' evidence and arguments that this use destroys potential and existing markets for copyrighted works and subjects those works to heightened risks of online theft. With respect to the library copies, the

relevant markets are not the markets for search indices, snippets or related licenses, but the markets for digitization licenses and full-text digital copies of copyrighted works. Because Google's copying for library partners is starkly non-transformative, the markets for these uses are highly relevant.

Rightsholders sell books to libraries. Google undercuts that market by giving libraries millions of unauthorized copies for free. The Authors have pointed to numerous other relevant markets in their opening brief, including markets in which libraries participate. Br. at 49-50. The Copyright Clearance Center already licenses a variety of digitization rights to businesses and academic institutions, including the right to scan printed material into digital form when an electronic version is not readily available. (A791.) Norway and Sweden are well on their way to licensing the digitization of their national library collections, demonstrating that collective licensing is not merely hypothetical. Br. at 49-50. Google attempts to distinguish these markets by asserting that they are not "limited to indexing and the display of snippets" (Opp. Br. at 48 n.19), but, again, this distinction simply does not apply to Google's full-text copying for and dissemination to its library partners. Especially given the libraries' broad discretion over their use of the full-text copies, the dissemination of books to the libraries clearly has an "impact on potential licensing revenues for traditional, reasonable, or likely to be developed markets." *Texaco Inc.*, 60 F.3d at 930. Google could have paid copyright owners

for the right to digitize and use their works. It chose to pay its library partners instead.[15] In addition, the risks of security breach applicable to Google's copying and display for its own purposes apply *a fortiori* to the copies disseminated to the library partners.

In sum, all four fair-use factors weigh strongly against a finding of fair use as to the library copies.

IV.
THE AUTHORS GUILD HAS ASSOCIATIONAL STANDING

The Court in *HathiTrust* held that, "§ 501 of 'the Copyright Act does not permit copyright holders to choose third parties to bring suits on their behalf.'" 2014 WL 2576342, at *4 (quoting *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 944 F.2d 971, 980 (2d Cir. 1991)). While acknowledging that the Court's ruling is binding on this panel, respectfully, the Authors Guild continues to believe that the decision in *HathiTrust* was a misreading of the Copyright Act and a misapplication of the law governing associational standing. Nothing in the Copyright Act prevents an association from suing as a representative of its members pursuant to associational standing under *Hunt* where, as here, the members of the association

[15] As discussed in the Authors' opening brief (Br. at 12-13 n.6, 57-58), Google's agreements with the library partners also circumvent specific limitations on digital copying found in Section 108 of the Copyright Act. Congress put these limitations in place specifically to protect the economic interests of copyright holders. *See id.*

meet the statutory requirements and individualized participation is unnecessary. *Authors Guild*, 282 F.R.D. at 289 ("[T]he associations' claims of copyright infringement and requests for injunctive relief will not require the participation of each individual association member."). Indeed, other courts have similarly held that the Copyright Act confers associational standing. *See CBS Broad., Inc. v. EchoStar Comn'ns Corp.*, 450 F.3d 505, 518 n.25 (11th Cir. 2006) (association of television network affiliates with *Hunt* standing may bring copyright claims on behalf of their members who satisfy the standing requirements under 17 U.S.C. § 501(e)); *Olan Mills, Inc. v. Linn Photo Co.*, 795 F. Supp. 1423, 1428 (N.D. Iowa 1991), *rev'd on other grounds*, 23 F.3d 1345 (8th Cir. 1994) (association has standing under *Hunt* to bring copyright claim on behalf of its member photographers who are the legal or beneficial owners of their copyrights).

CONCLUSION

For the reasons set forth herein and in the Authors' opening brief, this Court should vacate the judgment of the District Court and remand the case for entry of judgment in favor of the Authors that includes fair compensation for use of their works and protections against further infringement and the risk of security breaches that could lead to widespread dissemination of copyrighted books.

Dated: New York, New York
July 24, 2014

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CERTIFICATE OF COMPLIANCE

This brief complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B) because based on the word count of the word-processing system used to prepare the brief (Microsoft Word), this brief contains 6,726 words, excluding the part of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii).

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