COPYRIGHT AND DIGITISATION OF BOOKS
FROM GOOGLE BOOKS TO PRESERVING THE EUROPEAN CULTURAL HERITAGE

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# TABLE OF CONTENTS

1. **INTRODUCTION** ........................................................................................................................................... 4
   1.2 Purpose and question formulations .............................................................................................................. 5
   1.4 Delimitation .................................................................................................................................................. 6
   1.5 Outline ......................................................................................................................................................... 7

2. **THE FUTURE OF BOOKS** .......................................................................................................................... 8
   2.1 Why do we have intellectual property rights and copyright? ................................................................. 8
   2.2 International conventions on the intellectual property rights protection ............................................. 9
   2.3 Challenges in the digital era ..................................................................................................................... 10

3. **GOOGLE BOOKS** ...................................................................................................................................... 12
   3.1 History ....................................................................................................................................................... 12
   3.2 The Amended Settlement ....................................................................................................................... 16
   3.3 Rejection of the Amended Settlement .................................................................................................... 17

4. **EUROPE AND DIGITISATION** .................................................................................................................. 21
   4.1 Europe’s answer to Google Books ........................................................................................................... 21
   4.3 Europeana .................................................................................................................................................. 23
   4.4 Transaction costs ....................................................................................................................................... 24
   4.5 The European legal framework ............................................................................................................... 24
      4.5.1 Intellectual property rights – a key tool for the Single Market ......................................................... 24
      4.5.2 Directive 2001/29/EC on copyright in the information society ......................................................... 25
      4.5.3 Territoriality and cross-border dissemination ................................................................................ 26
      4.5.4 Exceptions and limitations ............................................................................................................... 27
      4.5.5 Directive 2012/28/EU on certain permitted usage of orphan works ............................................. 30

5. **U.S. LEGISLATION** ..................................................................................................................................... 36
   5.1 U.S. Copyright in a historical perspective ............................................................................................... 36
      5.1.2 Utopic and pragmatic dreams ........................................................................................................... 37
   5.2 The Copyright Act of 1976 ..................................................................................................................... 37
      5.2.1 The basic framework ....................................................................................................................... 37
      5.2.2 Publication ....................................................................................................................................... 38
      5.2.4 Exceptions and limitations ............................................................................................................... 39
      5.2.5 The Congress has the power to enact new laws ............................................................................. 42
   5.3 Digitisation in the United States ............................................................................................................ 43
      5.3.1 Digitisation in the foot steps of Google Books ............................................................................... 43
      5.3.2 United States scanning projects ..................................................................................................... 44
      5.3.3 Questions in the digitisation landscape ......................................................................................... 45
      5.3.4 Orphan works .................................................................................................................................... 46
      5.3.5 Collective management organisations ............................................................................................ 46

6. **ANALYSIS** .................................................................................................................................................... 47
   6.1 Google Books and the U.S. solution ........................................................................................................... 47
   6.2 Comparison ................................................................................................................................................ 50
      6.2.1 Exceptions and limitations in general ............................................................................................. 50
      6.2.2 Library exceptions .......................................................................................................................... 51
      6.2.3 The fair use doctrine compared to European exceptions .............................................................. 52
      6.2.4 Licensing and other solutions to digitisation ................................................................................. 58

7. **BIBLIOGRAPHY** .......................................................................................................................................... 65
   7.1 Official Documents ..................................................................................................................................... 65
   7.2 Case Law ..................................................................................................................................................... 66
   7.3 Books, articles and reports ....................................................................................................................... 67
   7.4 Other ......................................................................................................................................................... 69
## ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
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<tr>
<td>AAP</td>
<td>The Association of American Publishers</td>
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<td>ASA</td>
<td>The Amended Settlement</td>
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<td>CMO</td>
<td>Collective Management Organisation</td>
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<td>ECJ</td>
<td>European Court of Justice</td>
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<td>ECL</td>
<td>Extended Collective Licensing</td>
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<td>EU</td>
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<td>TFEU</td>
<td>Treaty on the Functioning of the European Union</td>
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<td>TRIPS</td>
<td>Agreement on Trade-Related Aspects of Intellectual Property rights</td>
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<td>U.S.</td>
<td>United States</td>
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<td>WCT</td>
<td>WIPO Copyright Treaty</td>
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<td>WIPO</td>
<td>World Intellectual Property Organization</td>
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<td>WPPT</td>
<td>WIPO Performances and Phonograms Treaty</td>
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1. INTRODUCTION

1.1 Short presentation of the subject

The late nineteenth century and beginning of the twentieth century has undoubtedly brought some challenges to our world on an international level. Socio-economic and political changes, as well as rapid technological expansion have all caused some changes in the viewpoint of copyright. The freedom of expression, the growth of educational standards and the desire for education as well as the increase of universities and libraries are all factors that have caused conceptual changes. Now the challenge is to balance the interest of the creators to receive an adequate reward for their works against the public interest for knowledge and other needs in modern society. This challenge is something that stretches out to the world on a global basis.\(^1\) Copyright protection is above all one of the means to promote, enrich and disseminate the cultural heritage. In fact a country’s development depends very much on the creativity of its citizens. Experience shows that success in enrichment and development is directly linked to the level of copyright protection.\(^2\)

In 2004 Google started to scan books by signing deals with libraries to digitise their whole collections, without the consent of the rights holders. This led to an outcry from the copyright holders, many years of litigation, a rejected settlement and in the end a ruling of fair use.\(^3\)

As a response to the Google Books project Europe wanted to follow in the footsteps of the company’s achievement. The commission launched the project Europeana to preserve the European cultural heritage.\(^4\) Further the commission started to look upon how to reconcile the respect of digital copyright together with the hasty expansion of digital libraries. The aim was to examine how well the dissemination of knowledge could be achieved in the Single Market. Especially in context of the online environment and in consideration to already

\(^2\) Id., p. 41.
\(^3\) For a summary of the Google Books case see: [http://ipkitten.blogspot.it/2013/11/a-closer-look-at-google-books-library.html](http://ipkitten.blogspot.it/2013/11/a-closer-look-at-google-books-library.html).
existing copyright legislation.\textsuperscript{5}

With this as the base, the thesis will examine what is happening in the United States and in Europe, in the context of digitisation. It will apply a broad perspective by comparing the Google Books solution and U.S. legislation with resolutions and projects made in the European Union.

\textbf{1.2 Purpose and question formulations}

The purpose of the thesis is to compare the legal development in the EU and the United States, regarding copyright and digitisation of books.

The main questions to examine is firstly, to understand how current legislation and the exceptions laid down in the copyright legislation comply with this new technology. Secondly, the thesis will look on the legislative changes and improvements that have been made, or are under way, to facilitate the digitisation of books and thus meet the challenges. Thirdly, other solutions to solve the problem will be examined.

\textbf{1.2 Method and material}

This thesis is based on a comparative legislative method.\textsuperscript{6} Thus it compares the Google Books and the U.S. legislation with the EU legislation and other EU resolutions. It assesses the differences and similarities done to best meet the function of copyright.

In order to compare the two legislations I first had to determine and examine the current law. Due to the novelty of the issue a lot of the material was mainly found online, however as much as possible I have tried to find the most relevant material from a legal point of view.

Regarding the U.S. law I started by reading the article written by Giancarlo Frosio since it contains the issue of Google Books as well as the legislation related to the issue. Further I looked at the material related to the Google Books case such as the proposed settlement, documents from the different parties and also the rulings from the court. To understand the U.S. law and the


\textsuperscript{6} See in general about the comparative legal method, Jacobson, Herbert “Att finna, att fastställa innehållet i främmande rätt”, Juridisk Tidskrift nr 2 2012/13.
Copyright Act I also studied the law and related policy documents published by the Copyright Office. Additionally, I read articles related to copyright, even though not always written by legal scholars, to understand the history and the legal background of copyright in the United States. Since the fair use doctrine is an important part of the Copyright Act of the United States and the most relevant as an exception to use copyright protected, not the least due to the fact that the U.S. Court ruled that the action done by Google falls under fair use. To understand the fair use doctrine I have mainly used case law, since it builds on a case law structure.

For the EU legislation I read the report written by Johan Axman and Lucie Guibault, which describes the digitisation issue from a European perspective. Further, since this thesis address the problem on a broad EU level I studied policy documents from the commission and other official communication documents that could be relevant for the subject. Since the intellectual property right is harmonised in the EU I also studied the directives, both established directives as well as new ones to see how they might affect the copyright issue regarding digitisation.

After determining current law I tried to find differences and similarities to see how the issue has been tackled within both of the legislations.

1.4 Delimitation
Due to the broad spectra of the issue and since it is a comparative study between the U.S. law and the EU legalisation I addressed the problem with a wide approach. However the starting point was to analyse the Google Books case and to see how Europe responded to this. Though since the Google Books issue raises not only legal issues but also anti-trust and economical concerns I had to do delimitations. Thus this thesis will focus only on the legal perspectives.

Regarding the EU-legislation I mainly looked at the directives and solutions made on a European level, thus I have not studied the implementations into different Member States, since it would be too far reaching for this thesis.

Even though I describe and analyse the issue in a broad perspective there was not enough space to cover all possible solutions within this thesis. Thus, the thesis focuses mainly on current exceptions and limitations to the
copyright, the orphan works issue and also on how collective management organisations and licensing options can play an important role.

1.5 Outline

The second chapter will briefly examine the basics of copyright and the challenges brought to it by the digital evolution, as well as providing a short introduction to the international protection of copyright.

Chapter three will then describe the Google Books case, the trigger of the digitisation issue and the background to it. To get the full context of the Google Books case it will provide information about history, the proposed settlement as well as the following litigations.

Chapter four describes what happened in Europe after Google Books and continues by accounting for the European legislation and other possible solutions. Further, it discusses some of the issues that arise within the European Union due to the fact that the copyright law is only harmonised and not coherently valid in the 28 different jurisdictions. Thus it looks at what kind of improvement that has been or can be done in this cross border environment.

Chapter five contains an explanation to the U.S. legislation both from a historical and a current perspective. It describes the exceptions but focuses mainly on the fair use doctrine. Additionally the chapter contains a general discussion of the digitisation and what is happening because of it in the U.S.

Chapter six and the analysis start by looking at the Google Books case, particularly how it was solved in the U.S. After a presentation of the case follows the comparison of the Google Books case and the U.S. legislation with European legislation and solution. It highlights both differences and similarities found in the two legislations, and lifts some speculations for the future.
2. THE FUTURE OF BOOKS

2.1 Why do we have intellectual property rights and copyright?

Generally the arguments to justify intellectual property rights have taken three forms, the personality based, the utilitarian based and the Lockean based. The personality-based justification upholds intellectual property as an extension of the individual personality. Known personality theorists such as Hegel maintain that control over physical and intellectual object are crucial for self-actualization. By expanding ourselves outwards we define ourselves and obtain control over our goal and projects. The second theory, the utilitarian incentives based, claims that intellectual property rights are social progress and incentives to innovate. By granting limited rights to authors and inventors it will promote the creation of valuable intellectual works. However this is not a guarantee. Failure is inevitable if others than the creators can seize and reproduce their intellectual efforts without any investment costs. The third theory, the Lockean based, advocates that rights are justified in relation to labor and merit. This theory argues that all individuals own their bodies and labor and when that labor infuses on an unowned object, the labor and the object cannot be separated. Thus, the right to our labor extends to these kinds of goods, such as books and inventions.7

With the information techniques of today, the circulation of culture and information between different countries has developed in a way that was impossible to predict a few decades ago. The digital development enables quick, cheap and simple copies of all kinds of works. On one hand this means a big advantage since it supports the reproduction in reaching the public. At the same time it also contains a huge risk for unpermitted usage of protected works. Due to this cross boarder development enabled by the Internet, the protected works can now be spread far away from the place of origin. The globalization of the world market also affects the exchange of software program, musical, litterateur and artistic creation on an international basis. This creates a need for effective protection in all countries, stretching outside the national boarders. Consequently, the copyright protection and the related rights

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have come to take an international imprint, manifested in different conventions and other treaties. These conventions purport to protect rights holders works regardless of state boarders by reassuring them the same level of protection as the native works protected by copyright in other Member States.  

Copyright protects the spiritual creation of works such as art, music and books, while the closely connected “neighbouring rights” protects right of performing artists, when performing a work but not creating it. The copyright protection is then divided into two sides, the exclusive rights and the moral rights. The latter are connected to the emotional bonds that the artist puts down in their work and the prior has he purpose to secure revenues so that they can continue their work and contribute to the social and cultural development of society.

2.2 International conventions on the intellectual property rights protection

The international protection of copyright is regulated by the Berne Convention and the World Convention, whereas the latter lacks importance today when most of the states signed both conventions. Today the Berne Convention holds 167 Member States and the World Intellectual Property Organization (WIPO), a United Nations organ, is administering it. It provides a rather detail structured protection for the countries that have designated the treaty due to the fundamental principal of national treatment for litterateur and artistic works. By other words, foreign rights holders should be guaranteed the same level of protection as the domestic rights holders get. However, an author does not enjoy a uniformed worldwide copyright, but instead a collection of national copyrights, which are governed by the legislation within each territory. This principle of territoriality derives from article 5 in the Berne Convention. Even within the EU where copyright and related rights have been harmonized, the principle of territoriality has not been affected.

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9 Ibid, p. 268.
10 Ibid, p. 80.
11 Ibid, p. 327.
Two other important conventions are The WIPO Copyright Treat (WCT) and the Agreement of Trade-Related Aspects of Intellectual Property Rights (TRIPS). The former was created in order to solve some of the problems arising due to the digital environment, especially the birth of the Internet. The latter, TRIPS, forms a part of the World Trade Organization (WTO) and strives to promote the world trade function where intellectual property has an important role. The TRIPS requires its Member States to follow some norms related to intellectual property rights. For the neighbouring rights these are mainly protected by the Rome Convention and the WIPO Performances and Phonograms Treaty (WPPT), which deal with the rights of performers and producers of phonograms, particularly in the digital environment.\(^\text{13}\)

The system of exclusive rights, which provides a minimum protection conferring to foreign rights holders, are laid down in all these international conventions of copyright, such as the Berne Convention, WCT, WPPT, TRIPS and the Rome Convention.\(^\text{14}\) If the national law or any kinds of exceptions or limitations to these rights are considered, they must comply with the so-called three step test. This test is laid down in article 9(2) of the Berne Convention, article 10 of WCT and in article 13 of TRIPS. The literal expression differentiates in between them but the content is generally the same. Firstly, exceptions and limitations to the exclusive right are only allowed in special cases, secondly they cannot conflict with a normal exploitation of the work and thirdly, they cannot unreasonably prejudice the legitimate interest of the rights holder.\(^\text{15}\)

### 2.3 Challenges in the digital era

The work of authors and publishers has been an important engine for the development of our world. Writers have enriched, preserved, interpreted and handed down knowledge and creativity to our civilization. This would not have been possible without copyright protection. However, writers also hold our

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future in their hands and they still need copyright. If they cannot protect their works properly, they risk losing control over their creations, which further more might lead to losses of their income. If writers cannot make a living out of writing they will not be able to afford writing. This would mean an enormous loss for the knowledge of humankind. Until recently the copyright legislation has made sure to protect the work of the writers in an adequate way. Though a lot has happened since Gutenberg’s mechanized press arrived and made copyright necessary for physical books. In our digital world the physical book does not have the same importance anymore. At no cost, by a single click in no time we can now access millions of books online. Existing copyright laws are obsolete in relation to digitisation and the viral copying that follows it. With the digital future anyone can become a published writer or a publisher anywhere in the world. The decentralization of marketplace and the proliferation of content providers is not only a blessing for readers whom now can access books not possible before. Even the writers benefit from this since they can reach a much bigger audience. This growing transnational digital marketplace nurtures not only an interest to protect the content made available online, but also a way to allow legitimate sharing worldwide. Yet we can already see some solutions, for example Digital Rights Management, which is software designed to protect digital files or subscription to access a certain online platform. However, these solutions have their vulnerabilities. Software can easily be penetrated not only by pirates but also by self-described public benefactors sharing the belief that the content should be free. As for the subscriptions of journals and similar materials, it is very hard, if not impossible, to control the sharing of the users account.

In the same way as it must have been impossible for the 16th century Venetian to foresee the results of the Gutenberg press, it is difficult to predict the outcome of our digital revolution. However, there is a global need to conceive new technology and worldwide copyright solutions to meet this new challenge that we now face. Digitisation has challenged the principle that any act of copying is an infringement and the Google Books project faces this dysfunctional relationship between copyright and digitisation. It has become

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17 Ibid.
the case study to see whether copying always triggers infringement in the digital environment.\textsuperscript{18} Professor Lawrence Lessig comments about this by writing that the Congress did not have Google Books in mind when they drafted the modern copyright law. He writes that in a world before the Internet the copying act itself was the obvious trigger, but in a world with the Internet it should not always be the trigger.\textsuperscript{19}

3. \textbf{GOOGLE BOOKS}

3.1 History
The birth of Google in 1996 was also the beginning of what we today call the Google Books. Co-founders Sergey Brin and Larry Page had a vision to make digital libraries work in the future. In order to make this dream come true their idea was to digitise vast collections of books, use a web crawler to index the content of the books and to analyse the connection between them. As a result the crawler “BackRub” was developed, which also later on inspired the PageRank algorithms of Google’s web search, making Google what it is today. However, it was not until October of 2004 that the company announced a project called “Google Print”. The silence was due to trying out non-destructive scanning methods, fixing technical issues and discussing the project with both libraries and publishers. Accordingly in December of 2004 the work of the Google Print library project began and in 2005 it was renamed to Google Books in order to associate the name with the use in a more accurate way.\textsuperscript{20} Google Books is in turn the collective name of a program consisting of two different branches, namely the Partner Program and the Library Project. Whereas the latter receives permission to display the digitised work from the participating libraries and the former receives it directly from the rights


holders. Besides the way of seeking permission, there is no difference between the two programs when searching for books online; works scanned from either of them are both connected to the same database. All types of books are included in the Google Books program, from novels and children’s books to cook books and dictionaries. Thus the great majority consist of non-fiction books and only a small part is represented in the fiction category.\textsuperscript{21} In order to scan the books, Google uses a technology called Optical Character Recognition (“OCR”), which transforms the scanned copies of the books into searchable data. When searching the Google Books database, the basic bibliographic information about the book will show up and in many cases also a few snippets of the text returned, comprising the keyword and a certain amount of surrounding words. If the book is out of copyright, it is possible to view and download the entire book, and for every case, there are links directing to online bookstores where you can buy the book and libraries where the book can be found.\textsuperscript{22}

The Partner program reaches out to the publishers and authors with the aim of helping them to sell books and to make the work easier to discover. It is established through partners providing Google with a copy of their book, printed or digital, which then is stored in a database and displayed online for the public. The partners can then decide themselves how much of the book should be shown online; everything from a few samples of pages to the entire book is possible.\textsuperscript{23} For this thesis though, the Library Project is of more relevancy.

The purpose of the Library Project is to make it easier for people to find relevant books, especially those out-of-print books, which hardly would be found otherwise. An out-of-print book means a book that no longer is being published. As a part of the project Google tries to respect the rights holders by cooperating with them and the libraries. So that they together can create a comprehensive, virtual and searchable catalogue collection of books. The Library Project gives publishers an opportunity to reach out for new readers at


the same time as it serves as a tool for users to discover new books more easily. In order to gain the physical access to scan entire or part of library collections Google enter agreements directly with the libraries.24

Regardless of in print or out-of-print a book can be either out of copyright, in copyright, or an orphan book. Since Google chose to scan the entire collection, as far as the libraries allowed, this means that books from all of these three categories were scanned and stored in the database, without receiving permission directly from the rights holders. As for out of copyright books this did not cause any legal issues since this means that the book already lost its copyright protection and fell into the public domain, where copying is allowed for everyone. However regarding in copyright books the scanning provoked an outcry from non-satisfied copyright holders due to their work being copied and used in Google Books without their permission. The third category is even more troublesome from a legal perspective, because orphan books are those litterateur works where the rights holders cannot be defined.25

Obtaining permission to scan the books would be prohibitive, even the fact to determine whether the permission was needed or not and especially regarding the orphan works. Google solved this by creating an opt-out mechanism. What they did was to advance the idea that it was fair use to scan the books in order to build the global database, yet giving reluctant rights holders the opportunity to opt-out of participation.26 This resulted in an outcry from the copyright holders. Accordingly, in September 2005 U.S. Authors Guild, the biggest organisation for book authors in the United States, filed a class complaint claiming direct copyright infringement and seeking damages and injunction relief.27 One month later another complaint was filed against Google, this time by a group of publishers named The Association of American Publishers (AAP). They described both the Google Library Project and the opt-out policy as “contrary to the black letter requirements of the Copyright Act”. Even though only a snippet of the text will be shown in the database the act of

26 Ibid p. 95.
copying the whole book was an infringement in their opinion.\textsuperscript{28} They also found it improper to change the burden from Google to the copyright holders. From a legal point of view Google should be the one initiating permission to perform those acts.\textsuperscript{29} The publishers on the other hand did not seek damages but requested injunctive relief and an order requiring Google to delete all unauthorized copies of their works from its web servers.\textsuperscript{30} Both authors and publishers considered the Google Books to infringe on their exclusive rights in copyrighted works, provided in § 106 of the Copyright Act, based upon two different kinds of actions. First of all the physical copying of the whole book and secondly due to the snippets showed online when users search the database.\textsuperscript{31} In order to decide whether Google infringed any rights of the authors and publishers it was necessary to determine if the copying of the books and displaying passages of the text stored upon a user’s request falls within fair use. By other words, see if there was an exemption allowing Google to take those actions infringing on the exclusive rights of the copyright holders. The decision of fair use is usually a difficult call and has been criticized as the most troublesome doctrine of copyright. To make the case even more complex the court had no case law to refer to in the Google Books case.\textsuperscript{32} A further explanation of the U.S. fair use doctrine will be described later on under the section for U.S. legislation.

Due to the uncertainties arising over a determination of fair use the parties decided to settle. This resulted in three years of litigation and eventually a settlement between Google, the authors and the publishers. However this was a class action litigation, meaning that the parties cannot be defined since the actions of Google included an indefinite number of authors and publishers.\textsuperscript{33} The class consisted of all persons who owned a U.S. copyright interest in one or more works implicated by a use authorized by the settlement. Which means

\begin{footnotesize}
\begin{enumerate}
\item Ibid, ¶ 33.
\item Ibid, p.13-14.
\item Ibid, p. 106.
\end{enumerate}
\end{footnotesize}
in principal all authors and publishers with a copyright interest in the United States.34 Those publishers and authors, namely the plaintiff, who participated in the litigations and negotiated the terms, would thus bind all the other class members, even those who were not aware of the settlement and its terms. Therefore the settlement had to be approved by a court before valid, determining whether the settlement was fair to all class members. In order to influence the decision of the court a wide range of objections were filed, constituting concerns about copyright and anti-competition. As a result a second amended settlement was pushed, adjusting some of the anti-competition concerns. The copyright concerns on the other hand were much more difficult to circumvent since it lies within the backbone of the Google Books project.35

3.2 The Amended Settlement
I will briefly go through the amended settlement and it’s content, then afterwards lift some of the legal concerns that resulted in judge Justin Chin’s rejection of the settlement.

The amended settlement, further on the ASA, is a 166 pages long document. It begins with a long list of definitions stipulated in Article 1, more exactly an explanation of 162 different terms. The class affected by the ASA consists of all persons who, as of January 5, 2009, own a U.S. copyright interest, however with some exceptions.36 Further on the class is divided into two different subclasses, the Author sub-class37 and the Publisher sub-class.38 The ASA authorizes Google to continue digitisation of books and inserts, sell subscriptions to an electronic books database, sell online access to individual books, sell advertising on pages from books and to make certain other prescribed uses.39 The rights granted to Google are non-exclusive though, allowing right holders to authorize others than Google to use their books.40

37 Ibid, § 1.17.
38 Ibid, § 1.122.
39 Ibid, § 3.1, 4.1-8 and 1. 149.
40 Ibid, § 2.4 and 3.1(a).
Google will pay 63 % of the revenues received from the uses to the rights holders.\(^4^1\) In order to administer this distributions of revenues paid by Google the ASA will establish a Book Rights Registry. By maintaining a database over rights holders the Registry can then allocate the revenues to the correct rights holders.\(^4^2\) A board represented by an equal number from the two sub-classes mentioned above will manage the registry.\(^4^3\) According to the ASA the Registry is obligated to use “commercially reasonable efforts” to locate Rights holders.\(^4^4\) Once payments are received from Google the Registry will pass them on to the rights holders. If the funds are unclaimed after five years they can be used in order to locate owners of the unclaimed work. After ten years, though, the unclaimed funds may be distributed to literary-based charities.\(^4^5\)

As for the use of display the ASA distinguishes between in print and out-of-print books. The latter may be displayed without permission from the rights holders, however the right to do so ceases as soon as the rights holders direct Google to stop. For in print though, Google needs the express authorization from the rights holders before they are allowed to display anything online.\(^4^6\)

The rights holder of a book may direct Google not to digitise their book and in case it already has been digitised, they can ask for a removal from the database. For a book not yet digitised Google will use “reasonable efforts” to follow the request.\(^4^7\) In any event, Google will comply with the request of removal and this will be done as soon as reasonably practicable, but in any event no later than 30 days after notice.\(^4^8\)

### 3.3 Rejection of the amended settlement

Then in March 2011 judge Justin Chin and the U.S. district court in Manhattan ruled that the amended settlement was not fair, adequate and reasonable, which are the requirements to make a binding class action settlement in the US.\(^4^9\) The

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\(^{41}\) Ibid, § 2.1-4, 4.5 and 5.4.

\(^{42}\) Ibid, § 2.1.

\(^{43}\) Ibid, § 6.2(b).

\(^{44}\) Ibid, § 6.1(c).

\(^{45}\) Ibid, § 6.3(a).

\(^{46}\) Ibid, § 1.31 and 3.2-4.

\(^{47}\) Ibid, § 1.124 and 3.5(a).

\(^{48}\) Ibid, § 3.5(a)

district court went through the major objections raised against the ASA one by one, which stipulates the following seven concerns:

1. Adequacy of class notice
Some of the objectors, including foreign publishers, argued that the notification to class members was inadequate of both the original and the ASA.

2. Adequacy of class representation
Foreign authors, academic authors and certain other objectors argued that their interests were at odds with the representative plaintiffs.

3. Scope of relief under rule 23
The objection regarded the concerns about Google using the scope of relief under Rule 23 in an improper way in order to circumvent the copyright issues.

4. Copyright concerns
These objectors contended that the approval of the ASA would infringe on the Congress constitutional authority over copyright law. They also argued that the provisions of the ASA pertaining to orphan works would violate the Copyright Act, since the copyrighted works would be licensed without the owners consent.

5. Antitrust concerns
Many objectors, including the U.S Department of Justice, argued that the ASA would give Google a monopoly over digital books, especially regarding the orphan books. The grant of such monopoly to Google would even further establish their dominant position in the online search business.

6. Privacy concerns
Some of the concerns were that the digitisation of books would enable Google to amass a huge collection of information, including private
information, without providing adequate protection for the use of such information.

Even though the ASA narrowed the coverage of non-U.S. works, foreign authors and entities claimed that the ASA would violate international law. The requirement for foreign rights holders to determine whether they are covered by the settlement and thus opt-out of participation was one of the violations contended in relation to international law.\(^{50}\)

Judge Chin finally noted:

> “While the digitisation of books and the creation of a universal digital library would benefit many, the ASA would simply go too far. It would permit class action, which was brought against Google Inc to challenge its scanning of book and display of snippets for on-line searching, to implement a forward-looking business arrangement that would grant Google significant rights to exploit entire books, without permission of the copyright owners”.\(^{51}\)

This was not necessarily the end of the settlement though. Many of the concerns raised in the different objections would have been ameliorated if the ASA had been constructed as an opt-in settlement instead of an opt-out settlement.\(^{52}\) However, switching to an opt-in solution would have unveiled the obvious contradiction between Google Books and the present copyright law.\(^{53}\)

As a result of the rejection of ASA the Association of American Publishers (AAP) and Google entered another settlement agreement in 2012. This settlement was not a class action but an agreement between the parties; hence the court was not required to approve its terms. The agreement provides access to publishers in copyright books and journals digitised by Google for its

\(^{50}\) Ibid, p. 11-13.
\(^{51}\) Ibid, p. 1.
\(^{52}\) Ibid, p. 46.
Google Library Project and it also acknowledges the rights and interests of copyright holders. United States publishers have the option to choose whether their works digitised by Google for its Library Project should be available or removed. Those deciding to keep their works will have the option to receive a digital copy for their use. Google Books allows users to browse up to 20% of books and then purchase digital versions through Google Play, which is an online store for e-books. Under the agreement, publishers can now include books scanned by Google in the Library Project. Further terms of the agreement are confidential. Additionally, this settlement did not affect the litigation between Google and the Authors Guild or otherwise address the underlying questions in that suit.\(^{54}\)

Accordingly the litigation between Authors Guild and Google continued until the 14\(^{th}\) of November in 2013, when the U.S. district court in Manhattan ruled fair use and a summary judgment entered in Google’s favour, thus dismissing the case. The ruling of the court shows that even extensive digitisation can fall within fair use when the harm to rights holders is constrained and the social benefits are strong.\(^{55}\) The ruling by the court over fair use for the Google Books case will be further investigated in the analysis under chapter six.

3.4 The orphan works issue

Orphan works stands for a fifth of the books in Google Books. According to estimates made for a typical library collection the number of in print stands for less than five percent, 20 percent consist of public domain and the remaining 75 percent are out of print or orphan works. The European commission published a study facing the issue, which is called the “Vuopala Study”, which estimated the orphan books in Europe at 3 million.\(^{56}\) When the copyright owner cannot be found everyone who seeks to use that piece of creation are facing a big risk. This uncertainty generally results in surrender to the complexity of


\(^{55}\) See The Author Guild v. Google, 05 Civ. 8136, (S.D.N.Y.) (November 14, 2013) (Opinion)

copyright law. As for society in large this means enormous losses when a lot of creations and materials cannot be published or digitised due to the lack of clear ownerships.57

It is due to the temporal extension of copyright that the dimension of the orphan problem has exacerbated and increased. The wish to digitise our entire cultural heritage fully unveils the problem and the loss of social value that orphan works may cause. The frustration of digital library development can be described as “Licensing chaos”. Ownership may be ambiguous, there might be a numerous amount of rights to clear and the compensation for use can be incredibly expensive. The European commission supports these conclusions in their published study named “the Vuopala study”. Accordingly, due to the burden of orphan works the social value of digitising our cultural heritage might be troubled by copyright limitations.58

4. EUROPE AND DIGITISATION

4.1 Europe’s answer to Google Books

As a response to the Google Books project Europe wanted to follow in the footsteps of the company’s achievement. In November of 2008 the European Commission issued a public consultation on Copyright in the Knowledge Economy. One of the main themes of the communication was how to reconcile the respect of digital copyright together with the hasty expansion of digital libraries. The aim was to examine how well the dissemination of knowledge could be achieved in the Single Market. Especially in context of the online environment and in consideration to already existing copyright legislation, more specifically the Directive 2001/29/EC on the harmonization of certain aspects of copyright.59 Slightly one year later the commission published a communication in the same name, Copyright in the Knowledge Economy. This

57 Ibid. p. 86.
58 Ibid. p. 88.
paper was one of the first policy documents as a part of the intellectual property strategy announced in the Digital Agenda for Europe. The communication holds the importance of a fifth freedom, which would be the open circulation of knowledge in the Single Market. It also stipulates the need for innovative solutions in order for Europe to keep up with what Google had already accomplished in America. Further the communication tackles the problems of the orphan books. Several possible solutions were announced and they were all based on the same central principle. Before the use of an orphan work, a diligent search has to be carried out in order to at least try to identify or locate the rights holder.

As a consequence of the online culture and the digitisation of copyright works two different views emerged within Europe. The first view promoting a more tolerant copyright and is represented by libraries, archives and universities favouring the “public interest”. Publishers, collecting societies and other rights holders, embody the second view. They claim that licensing agreements is the best way to improve distribution of knowledge and to effective access to works protected by copyright. As for authors and publishers, they are concerned about their survival due to the development in the area. The mass digitisation projects and distribution of their works online might infringe on their rights and excavate their streams of revenue.

4.2 A fifth freedom

In 2007 the European Commissioner for Science and research, Janez Potocnik, held a speech about the importance of European Research and the creation of a fifth freedom to promote this. He held that with this new freedom and approach Europe would work better together and stimulate a stronger economy. Then in 2008 this fifth freedom was supported by the European Council:

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60 DAE - The Digital Agenda for Europe (DAE) aims to reboot Europe's economy and help Europe's citizens and businesses to get the most out of digital technologies. It is the first of seven flagships initiatives under Europe 2020, the EU's strategy to deliver smart sustainable and inclusive growth.
63 Ibid, p. 4.
“In order to become a truly modern and competitive economy, and building on the work carried out on the future of science and technology and on the modernization of universities, Member States and the EU must remove barriers to the free movement of knowledge by creating a fifth freedom.” 65

Intellectual property was promoted as a crucial tool in order to achieve this new fifth freedom within the union. Optimizing the use of intellectual property it will increase the knowledge transfer to industry. The fifth freedom would also be based on open access to knowledge, open innovation, higher education reforms as well as a cross-border environment for researchers and scientists.66

4.3 Europeana

One example of a digitisation project and the European response to Google Books is the online portal called Europeana. It was launched in 2008 as a result of the digital evolution and due to the interest of preserving the European cultural heritage online. It is not a digitisation project in itself but a portal connecting different projects within the European Union in order to access them all through one single portal. Europeana has a goal to reach 30 million items in 2015, and for the long-term the aim is to have online access to the entire European cultural heritage in 2025. However the process of expanding cultural institutions within Europe has been stalled mainly because of two core issues, both caused by the contradiction between copyright legislation and the acts needed in order to digitise. Firstly, the physical act of copying in itself might cause some troubles, and secondly, the act of making it available raises further difficulties. Due to rights clearance and high transaction cost, the digitisation of Europe’s cultural heritage faces challenges that slow down or even in some cases stop the process.67

66 Ibid.
4.4 Transaction costs

One of the main challenges for the development of Europeana and cultural institutions is the high transaction costs caused by the rights clearance. Transaction costs include actions such as verifying the item and its copyright status, searching for rights holders, contacting rights holders, negotiating terms for the use and then the documentation of all just mentioned steps. In many cases, the cost of all of these steps in addition to an eventual licence might become too high and exceed the expected value of digitisation. For the cultural institution it is very difficult and time consuming to identify the rights holders, especially when it comes to out-of-print books. Sometime the rights pertain with the publisher and sometimes the entire right to publish the book has reverted to the author when the book went out-of-print. To make it even more complex, the “digital rights” may lie with the author while the right to the books still is with the publisher. This is the case for many books that were created before the digital age.

4.5 The European legal framework

4.5.1 Intellectual property rights – a key tool for the Single Market

The function of the Single Market is a crucial part of the European Union. It is important to create and environment where innovation and investment can flourish and thus restrictions on freedom of movement and anti-competitive practices must be eliminated or reduced as much as possible. Intellectual property protection is an essential component for the success of the Single Market in that context. The legal basis for creating European intellectual property rights, which gives the European Parliament has the power to form legislation and to create a uniformed protection throughout the Union is laid down in Article 118 (1) TFEU and reads as follows:

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70 About the Single Market, see http://ec.europa.eu/internal_market/intellectual-property/index_en.htm.
In the context of the establishment and functioning of the internal market, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements.\footnote{Article 118 (1) TFEU.}

The intellectual property rights are then divided into two different categories, the industrial property and the copyright.\footnote{See http://ec.europa.eu/internal_market/intellectual-property/index_en.htm.}

\textbf{4.5.2 Directive 2001/29/EC on copyright in the information society}

For copyright protection the basic foundation of legislation for the European Union is established in the Directive 2001/29/EC, also known as the InfoSoc Directive. This directive was adopted with the purport of harmonising the copyright laws of the Member States, which would favour the objectives to have an internal market where competition is not distorted.\footnote{Directive 2001/29/EC of the European Parliament and of the council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society. (hereafter “Directive 2001/29/EC”), recital 1.} Not the least was it applied in order to implement WCT and WPPT into EU aquis communautaire.\footnote{Ibid, recital 15.} Copyright and related rights play a key role in the community legislation as they protect and stimulate the development and marketing of new products as well as the creation and the exploitation of creative content.\footnote{Ibid, recital 2.} Trans border use of intellectual property rights has and will continue to increase as a consequence of the information society. This was one of the main reasons for the adoption of a directive on harmonisation for copyright and related rights. Without a harmonisation the technological challenges would have made the differences and uncertainties between Member States and their legislation even more significant than they were. Considerably big differences hinder the smooth functioning of the internal market, thus, in order to avoid restrictions of the free movement the European
legislation had to be harmonised as far as possible.\textsuperscript{76} Other purports of the directive were to promote learning and culture but also to stimulate creativity. Authors and performers have a crucial role as for the maintenance and development of intellectual creation, in order to ensure their contribution to creativity within the union it is necessary to protect their works and to ensure them an appropriate reward for the use of their works. At the same time the public interest for education and teaching has to be taken into account. This balance of interests shows in the directive as exceptions and limitations for the sake of public interests.\textsuperscript{77} In order to obtain support for the dissemination of culture it is important that a strict protection must not be sacrificed, since it might lead to illegal forms of distribution or pirated works.\textsuperscript{78} The directive builds upon previous principles and directives but is written in the light of the influence from information society.\textsuperscript{79} Accordingly the legal framework gives the authors an exclusive right to reproduction and to make their works available to the public online. Article 2 of Directive 2001/29/EC states the reproduction right, which includes the exclusive right to authorize or prohibit any kind of reproduction, whether it is in whole, partly, permanent or temporary. The right of making the work available is enshrined in article 3 paragraph (1) and (2) of the same Directive and covers the authorization or prohibition of making available to the public in a way that enables for the public to choose when and where they would like to access it, in other words on-demand access.\textsuperscript{80}

\textbf{4.5.3 Territoriality and cross-border dissemination}

As mentioned above, the harmonisation of copyright legislation was primarily for the purpose of removing disparities that might hinder the free movement of goods and services. In that way it has not affected the principle of territoriality. As an obligation under the European Economic Agreement the Member States are bound to follow the Berne Convention, where the principle of territoriality

\textsuperscript{76} Ibid, recital 6-7.
\textsuperscript{77} Ibid, recital 9, 10, 11 and 14.
\textsuperscript{78} Ibid, recital 22.
\textsuperscript{79} Ibid, recital 20.
is stipulated. The European Court of Justice (ECJ) confirmed this further by stating:

“At the outset, it must be emphasised that it is clear from its wording and the scheme that Directive 92/100 provides for a minimal harmonization regarding rights related to copyright. Thus, it does not purport to detract, in particular from the principle of the territoriality of those rights, which is recognised in international law and also in the EC treaty. These rights are therefore of a territorial nature and, moreover, domestic law can only penalise conduct engaged within national territory.”

This principle of lex loci protectionis is justified by the state sovereignty that states have an interest in the regulation of copyright protection within their territory. In order to answer the question whether online use of a work constitutes an infringement it is also necessary to combine the territoriality with the principle of country of reception. This principles states that the act of making available on the Internet not only confers to the country of transmission but also to each country where the content can be accessed online. This has importance for cultural institution such as Europeana, since it means that they need to obtain a licence covering each territory within the EU where the work can be made available. In other words, to avoid infringement the cultural institutions need to clear rights for the same work in each Member State where they wish to use the work. Due to the cross-border use of works from authors who have entrusted their rights to a collective management organisation (CMOs), this means that permission is needed in all 28 EU Member States.

4.5.4 Exceptions and limitations

The basic thought of copyright is to protect the individual right of the creator to exercise his rights connected to the work. As mentioned above in the chapter

81 Ibid, p. 20.
82 Case c-192/04 Lagardère Active Broadcast [2005] ECR I-7199, paragraph. 46.
for international protection this individual right entails two types of rights. First there are the economic rights that give the rights holder the control over reproduction by means of authorization and prohibition. The second category contains the moral rights, more specifically the right to be mentioned by name and the right to stop offensive usage of the work. You could say that there are some opposing interests to these individual interests of the creator, which are represented by the society and the public benefits from the usage of the work. Between these two interests there has to be a balance and this usually comes into expression by exceptions and limitations in the copyright legislation.\(^{84}\) As for the Directive 2001/29/EC this came into manifestation by an exhaustive list with exceptions and limitations. Pursuant to article 5 of the Directive this list allows Member States to introduce exemptions of the rights set out in article 2 and 3 of the same Directive. However, as the literal wording expresses, “may provide”, this means that the Member States has the options to implement those exceptions and limitations, all but one of them are thus free of choice. Article 5 (1) provides for certain temporary acts of reproduction that forms a part of a technological process, and this is the only non-optional exception. For cultural institutions that wish to digitise books this leaves them to a quite narrowly constructed way of possibilities.\(^{85}\) To narrow the potentials for cultural institution even further, these exceptions and limitations should be interpreted strictly, according to settled case law from the ECJ.\(^{86}\) Additionally these exceptions and limitations of the exclusive rights have to comply with the three-step test, which is laid down in Article 5.5 of the Directive, and derives from international conventions mentioned above in chapter two.\(^{87}\)

Correspondingly there are only two exceptions that could possibly apt for the case of a cultural institution in accordance with Directive 2001/29/EC, and they are:

\(^{84}\) Olsson, Henry, “Copyright, svensk och internationell upphovsrätt”, 2009, p. 21, 123, and 327.


- a limitation to the reproduction right to specific acts of reproduction for publicly accessible libraries, educational establishments or museums, or archives, which are not for indirect or direct commercial advantage (article 5(2) (c)), and

- a narrowly formulated limitation to the communication to the public and the making available right for purpose of research of private study by means of dedicated terminal located on the premises of such establishments (article 5(3)(n)).

Both of these limitations address “publicly accessible libraries, educational establishments or museums, or archives”. According to recital 40 of the Directive there is a requirement for these institutions to be non-profitable organisation. In order to decide whether it is a profit or non-profit organisation the important factor to consider is whether the profits generated go beyond what is necessary to cover administration costs. Whereas even a privately funded institution could go under the exceptions or limitation for the case of fulfilling the just mentioned criteria. In addition the exceptions and limitation also requires that these institutions are accessible for the public, meaning that anyone who wishes to access the work should have the potential possibility. Archives, though, have an exemption from the criteria of public access.

However, both the limitations mentioned above are too narrow to support mass digitisation projects carried out by any organisation. For example article 5(2)(c) only applies to “special cases” which do not encompass copying of entire collections and regarding article 5(2)(n) it only refers to cases similar to the premises of a physical library. Hence the only applicable case is for the institution to make available digital work on the spot through a terminal. This means that under the current legal framework there is no exception that provides cultural institutions with a specific exception allowing them to digitise entire collections on a mass-scale basis. As a consequence, the cultural

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88 Ibid.
90 Ibid, p. 16-19.
institutions need to submit authorization from the rights holders before the acts of digitisation.91

Even though there is no exception or limitation to address the mass digitisation directly there are other legislative solutions that might facilitate the work of these projects. Both the new Directive 2012/28/EU on certain permitted uses of orphan works, and the even more recently adopted Directive on collective rights management, will most likely assist CMOs and cultural institutions to clear rights in a cross boarder landscape. Thus this thesis will study these Directives.

4.5.5. Directive 2012/28/EU on certain permitted usage of orphan works
One of the next steps indicated from the commission in their communication Copyright in the knowledge economy was the examination of the orphan works problem. This was analyzed, put together and published in a report in 2010. It gathers the opinions and experiences from cultural institutions as well as figures and statistics about the orphan works within the European Union.92

Past digitisation projects have mainly focused on the safe use of public domain works, but now they wish to digitise entire library collections, including contemporary copyright protected works. Dealing with several hundred years old works is safely compared to the rights clearance that follows from use of contemporary materials. Accordingly, the cultural institutions meet two types problems. Firstly there is the rights clearance, to get authorization of the in copyright works. Secondly there is a problem in how to approach the orphan works. How can the cultural institutions receive authorization to use the works without an identified rights holder?93 To illustrate the problem in figures, the estimated amount of orphan works in the UK is about 600 000 books which represent 13 percent of the entire book collection. As mentioned earlier the estimated number of orphan books within the European Union is

93 Ibid, p. 15.
about 3 million books.\textsuperscript{94}

As a result the Directive 2012/28/EU on certain permitted uses of orphan works was adopted. To promote free movement of knowledge and innovation within the internal market is an important component, which is set out in the communication entitled, Europe 2020,\textsuperscript{95} a strategy for smart, sustainable and inclusive growth. One of the flagship initiatives of the Europe 2020 was to develop a Digital Agenda for Europe. To facilitate the digitisation and dissemination of works when the rights holders cannot be identified or located, was accordingly one of the key actions in the Digital Agenda. Therefore the directive aims to target the problems that arise for those cultural institutions that wish to digitise collections on a large-scale basis. Since these institutions contribute to the preservation of the European cultural heritage it is important to create a legal framework that promotes this.\textsuperscript{96} Copyright is the economic foundation for the creative industry; hence it stimulates innovation, creation, investment and production. Mass digitisation is therefore a means to protect the Europe’s cultural heritage.\textsuperscript{97} Differences in the way of approaching orphan works in between the Member States could cause obstacles for the functioning of the internal market and also for the use of cross-border access. In order to avoid restrictions of the free movement of goods and services the directive aims to ensure mutual recognition of the orphan status.\textsuperscript{98}

The directive lays down the definition of an orphan work saying that first of all, a diligent search for the rights holders must be carried out in good faith. This required diligent search should be carried out in the Member State where the work first was published. If there is some evidence of relevant information outside this territory, though, other sources of information should be consulted even in additional Member States. If the rights holder cannot be found after this search the work should be established as an orphan work and receive

\textsuperscript{94} Ibid, p. 18.

\textsuperscript{95} Europe 2020 - Europe 2020 is the European Union’s ten-year growth and jobs strategy that was launched in 2010. The objectives of the strategy are supported by seven ‘flagship initiatives’ providing a framework through which the EU and national authorities mutually reinforce their efforts in areas supporting the Europe 2020 priorities such as innovation, the digital economy, employment, youth, industrial policy, poverty, and resource efficiency.


\textsuperscript{97} Ibid, recital 5.

\textsuperscript{98} Ibid, recital 8.
mutual recognition within all the other Member States. By harmonising these rules of search it will ensure a high level of copyright protection within the Union. The principle about diligent search can be found in Article 3 of the Directive and the mutual recognition is laid down in Article 4 of the Directive.

Further, the Directive states a list of criteria that has to be recorded when the organisation or the cultural institution carries out the diligent search. By documenting the process and the status of the work into a database it will thus elude the risk of duplication efforts. This also promotes the creation of a database, on a pan-European basis, where information about the works is made available to the public. Member States should bring this directive into force by necessary laws, regulations or administrative provisions by October 29, 2014.

4.5.5 Collective management organisations and Directive 2014/26/EU
A recent important cornerstone to the European digital single market is the Directive on collective rights management, which was adopted on February 4, 2014. This directive will modernize the function of the collective management organisations also called collective societies. CMOs are organisations, which manage the copyright and related rights on behalf of the rights holders such as authors and artists. Their purpose is to act as intermediaries between rights holders from different creating industries such as music, books and films, and the service provider intending to use their works. Consequently CMOs play an important role in simplifying the licensing process. They handle the negotiation on behalf of the rights holders in situations where individual negotiations would be impractical and cause high transaction costs. Then after collecting royalties from the service providers and users, the CMOs distribute this to the relevant rights holders.

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100 Ibid, recital 16.
101 Ibid, Article 8.
Until now there have been no directives addressing the CMO *modus operandi* but only as references among other addressed parties. Though there has been a recommendation, 2005/737/EC, set out by the commission in the field of cross-border management for online music. This recommendation promoted a regulatory environment for collective management of copyright and related rights. However due to the fact of being just a recommendation and non-binding, the effect of this was unsatisfying.\(^{104}\) Already in the motivation to the Directive 2001/29/EC on copyright I the information society was it stipulated the importance of well functioning collective societies - both to ensure a higher level of rationalisation but also to receive bigger transparency with the regard to compliance with competition rules.\(^{105}\) Accordingly, due to the recent adoption from the European Parliament, the harmonisation of legislation within the Member States will occur more effectively. This proposal is the outcome of a dialogue between interested parties such as authors, publishers, CMOs, users and consumers.\(^{106}\) It should be noted, though, that this directive should be seen as a part of many measures proposed by the Commission in order to facilitate the licensing of rights and more easily access digital content in a cross-boarder context.\(^{107}\)

The Directive will lay down actions in two areas. The first action reaches out to all sectors with the aim of improving governance and transparency of the collective societies and will provide rights holders with more control in relation to the decision making of the CMOs. Consequently the Directive will modernise the function of CMOs that handles the licensing for both national and foreign authors, and which the functioning has a fundamental impact on the internal market. Additionally the second action will facilitate the multi-territorial licensing by collecting societies of authors rights in musical works


\(^{107}\) Ibid, p. 3.
for the provision of online services. Though, as the literal meaning of the proposal expresses, this applies only to musical works.\textsuperscript{108}

The Directive stipulates some rights that should be guaranteed by the Member States towards the rights holders, such as right to authorize and withdraw from a CMO, ensuring that the CMO will not restrict these rights.\textsuperscript{109} Further the directive lays down rules for the membership of a CMO, with some specified minimum criteria that the CMO has to live up to.\textsuperscript{110} The Directive also strives to reach more transparency by giving the rights holders a bigger influence during the decision-making. For example the Directive lies down to ensure general meetings with members, which should be done at least once a year. Another way to increase the transparency and control is by creating a body that represents their interest within the CMOs.\textsuperscript{111} Member States shall bring this Directive into force by necessary provisions by April 10, 2016.\textsuperscript{112}

### 4.6 The future of Europe

As mentioned before the intellectual property rights are the key assets of the European economy. The capitalising on intellectual property rights portfolios is the main objective for European creators and businesses to sustain operations, generate revenues and to develop new markets opportunities. Especially in the time of globalisation and international markets, the intellectual property assets are just as important as manufacturing assets.\textsuperscript{113} Thus the intellectual property legislation should be seen as a tool that controls and enhances the three key players of the market; the creators, the commercial users and the consumers. Thus the intellectual property rights policy should be designed as “enabling legislation”, allowing for the most efficient way of intellectual property rights management. In order to achieve this, it is important to set the right incentives for creation and investment, innovative business models, the promotion of

\textsuperscript{109} Directive 2014/26/EU, Article 5.
\textsuperscript{110} Ibid, Article 6.
\textsuperscript{111} Ibid, Article 8.
\textsuperscript{112} Ibid, Article 43.
\textsuperscript{113} Communication from the commission to the European parliament, “A single market for Intellectual Property rights Boosting creativity and innovation to provide economic growth, high quality jobs and first class products and services in Europe, COM (2011) 287 final, Brussels 24.5.2011, p. 4.
cultural diversity while at the same time trying to reach the broadest possible distribution of knowledge in order to benefit the public interest.\textsuperscript{114} Also due to the technological evolution, fast growing new business models and the growing autonomy of online consumers calls for copyright rules, which gives the right incentives. However, it is also important that the copyright rules enable rights holders, users of rights and the consumers to take advantage of the opportunities that modern technologies provide.\textsuperscript{115}

In the context of several communications from the commission, the Digital Agenda and in accordance with the Europe 2020 strategy the commission has started a deep analysis for both the legal and economic functions of copyright and related rights. Part of this analysis includes having a look upon the current exceptions and limitations set out in Directive 2001/29/EC and see whether they need to be updated or further harmonised.\textsuperscript{116} As regards mass digitisation, the commission mentioned two ways in they intended to facilitate the digitisation of Europe’s cultural heritage. One is the Directive for orphan works, which is already adopted, and the other is to promote collective licensing for out-of-print books.\textsuperscript{117} Another much far-reaching solution that will be analysed by the commission is the option to develop a European Copyright Code, which would be exhaustive harmonised and directly applicable. The commission will also examine this possibility for a unitary copyright title on the basis of article 118 TFEU and its effect on the internal market.\textsuperscript{118}

\textsuperscript{114} Ibid, p. 6.
\textsuperscript{116} Ibid, p. 4.
\textsuperscript{117} Communication from the commission to the European parliament, A single market for Intellectual Property rights – Boosting creativity and innovation to provide economic growth, high quality jobs and first class products and services in Europe, COM (2011) 287 final, Brussels 24.5.2011, p. 13.
\textsuperscript{118} Ibid, p. 11, 13 and 24.
5. U.S. LEGISLATION

5.1 U.S. Copyright in a historical perspective

5.1.1 The balance of interests
Copyright protection for the United States has its roots in utilitarian theories. The protection of authors’ rights in the United States is therefore the result of a fine balance between two interests. The first is the exclusive right of the author and the second is the promotion of progress that should be fulfilled by an open and widespread circulation of knowledge. President Thomas Jefferson, one of the founding fathers, expressed this clearly in his letter to the U.S. representative Isaac McPherson.

That ideas should freely spread from one to another over the globe, for the moral and mutual instruction of man, and improvement of his condition, seems to have been peculiarly and benevolently designed by nature, when she made them, like fire, expansible over all space, without lessening their density in any point, and like the air in which we breathe, move, and have our physical being, incapable of confinement or exclusive appropriation. Inventions then cannot, in nature, be a subject of property.

He then continued by recognising some kind of exclusive rights to the profits arising from the idea in order to give the right incentives and to share ideas and contribute to societies greater good. This may shed new light to the perception of the Google Books settlement as incompatible with the copyright laws. The way the settlement was composed allows it to achieve the primary constitutional goal, to stimulate the circulation of knowledge at the same time as the authors are, fully compensated for their works.

5.1.2 Utopic and pragmatic dreams
Together with president Franklin D. Roosevelt the president Thomas Jefferson also shared a belief that the health of the Republic depended on the free flow of ideas. They both knew that the circulation of ideas was dependent on the printing press. However the Gutenberg press had its limitations, which today can be solved thanks to the invention of the Internet. Looking back at the development of the American civilization, it has been formed by two currents, utopianism and pragmatism. The prior as a consequence of a country created by a revolution and revolutionists tends to question the old thinking and thus the American revolutionists were inspired by the enlightenment. At the same time the founders were tough men and pragmatics who had to design a state that works, even if that includes slavery, all for the effectiveness of the state to reach power and wealth. Then today, thanks to the digital evolution, the dream of Jefferson and Franklin can be manifested in accordance with both utopianism and pragmatism. The creation of digital libraries makes it possible to provide knowledge to the society by a simple click.\textsuperscript{121}

5.2 The Copyright Act of 1976

5.2.1 The basic framework
The basic framework for the copyright law of the United States can be found in The Copyright Act of 1976. Together with other enactments the Copyright Act is laid down through chapters 1 through 8 and 10 through 12 under title 17 of the United States Code, 17 U.S.C. The first sections, 101 to 105, of The Copyright Act provides for general information such as definitions and the scope of matter. Subsequently, section 106, which secures authors and publishers their exclusive rights to reproduction, display, distribution and to make derivative works of their books. The individual rights are laid down in the following section, 106A, stipulating the right to claim authorship and to

prevent certain kinds of uses of the work.\textsuperscript{122} The electronic rights may involve one or many of the exclusive rights laid down in section 106, which today is a routine matter when authors and publishers negotiate contracts. Though when it comes to books published before the digital era, some issues may be raised in the context of digitisation projects. Since there is no clear answer to whether the electronic rights retain with the author or the publisher the accessibility to out-of-prints books might be limited for scanning projects.\textsuperscript{123}

The exclusive rights of the Copyright Act are not absolute though. After the declaration of rights to the creators follows a long list of exceptions and limitations to these rights, more specifically from section 107 to 122. Unless the act of digitisation falls under one of these limitations, the users always face a risk of infringement when they use copyrighted works. This might hinder the development of digitisation projects since they do not want to risk facing heavy infringement damages. In context of digital libraries there are specifically two exemptions that could be applicable. The first one is section 107, the fair use doctrine, which is a defense against infringement. Secondly, section 108 allows reproduction for libraries and archives in certain cases. These two exceptions may facilitate the mass digitisation of books in some special cases for limited causes. However it is unlikely for them to serve as a ground for mass digitisation projects in general, and in any case it would not serve as an absolute protection against infringement claims.\textsuperscript{124}

\section*{5.2.2 Publication}

The copyright does not require any registration or publication, instead it is secured automatically when the work is created. However, the publication is an important concept of the Copyright Act and there are several reasons for this standing. Firstly there is the mandatory deposit for all published works within the United States, meaning that the copyright owner has a legal obligation to hand in two copies within three months from publication, for the use of the Library of Congress. It does not affect the protection, but if not followed, it can

result in penalties or fines. Secondly, the publication can affect the limitations set forth under sections 107 to 122 of the law. By “Publication” means the distribution of copies of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. But “publication” also means to offer to distribution of copies to a group of persons for the purpose of further distribution or public display constitutes. Even though it does not affect the protection itself the date of publication could still be important for the rights holders. Within the first three months of publication, the Copyright Act permits the copyright owner to seek attorney’s fees and statutory damages without requiring evidence of the monetary damages caused by the infringement.

5.2.4 Exceptions and limitations

5.2.4.1 The fair use doctrine

Fair use is a defense towards infringement, which allows the usage of protected works. The objective behind fair use is to fulfill the copyright’s very purpose “to promote Progress of Science and useful Arts” by giving opportunities to fair use of protected works. It has been criticized to be the “most troublesome doctrine in the whole of copyright”. Additionally it is a unique doctrine for the United States. Other countries may have similar laws including fair use or fair dealing but they do not have the same judge-made standard that is an important part in understanding the establishment of fair in the United States. The fair use doctrine is codified in section 107 § of the Copyright Act - relevant parts include following;

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...For purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include:

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

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.131

The American copyright law provides an “open-ended and context-sensitive inquiry” of this doctrine.132 Additionally the doctrine of fair use calls for a case-by-case analysis:

“Though the right of first publication, like the other rights enumerated in § 106, is expressly made subject to the fair use provision of § 107, fair use analysis must always be tailored to the individual case.”133

Thus these four factors are not exclusive, but should rather be seen as general guidelines. Further, these factors and other relevant aspects should be weight and explored in the light of the purpose of copyright.134 The Copyright Act also authorises the courts to consider other factors than the four mentioned above.135 Consequently, with time, a fifth factor has appeared through establish judicial review. This fifth factor connects to the argument of intellectual

132 Blanch v Koons 467 F.3d 244, at 251 (2d Cir 2006).
property rooted in the U.S. Constitution and lifts the importance of testing a fair use finding against the public interest.\textsuperscript{136} Since fair use is a favourable defence against a claim of infringement it is the proponent who has the burden of proof to show all issues in the dispute.\textsuperscript{137}

Even though neither of the factors is dispositive, courts tend to give more weight upon the first and the fourth factor.\textsuperscript{138} Regarding the first factor, the court stated that the more transformative nature of the new work, the less significant the other factors are.\textsuperscript{139} While other case law has expressed the fourth factor, the effect on the market, is to be the single most important factor of the fair use doctrine.\textsuperscript{140}

To illustrate two examples where the courts found the works to be fair use, we first have \textit{Kelly v Arriba Soft}. The issue in this case was whether the use of thumbnail pictures, which were copies of larger images, for the purpose of a search engine could fall within fair use. Due to the different purpose of the thumbnail compared to the original full size version the court found did find it to be fair use. Another case is \textit{A.V. v iParadigm LLC} a project scanning literary works, mostly student papers, in order to create a database with digital fingerprints. The court held that the actions did infringe on the students copyright rights, but the work was transformative due to its purpose of preventing plagiarism and therefore falls within fair use. The common factor is that the courts put strong emphasis on the fact that the defendant’s work is of transformative nature.\textsuperscript{141}

\textbf{5.2.4.2 The library exception}

Section 108 of the Copyright Act provides for libraries and archives to make limited reproductions and to use protected works without prior authorization from the owner. This legislation was ratified in 1978, long before the digital era and since then only a minor change was made in 1998 to extended the

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reproduction right for libraries to three digital copies on the site. In 2005 this section was the subject of a study that does not address mass digitisation projects but has the purpose to re-examine the exceptions and limitations applicable to libraries in the light of digital technologies. The study group reached consensus over several recommendations to legislative changes, among them was the suggestion to replace the three-copy limitation with a preservation copying and another was to set out criteria to be fulfilled in accordance with the terms library or archive. Still, section 108 would not serve as a ground for mass digitisation projects. Consequently, for the Google Books case and similar project this exemption seems to be excluded due to its commercial nature.

5.2.5 The Congress has the power to enact new laws

Due to the open ended and case-by-case basis of fair use it might seem as though the courts have a bigger influence over the legislative development. However this is not true. The constitution of United States expresses this:

*The congress shall have Power ...To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.*

United States Constitution, Article 1, Section 8

The United States constitution therefore gives the power to enact legislation in the field of copyright to the Congress. This is also stated and confirmed by case law of the Supreme Court:

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“It is generally for the congress, not the courts, to decide how best to pursue the copyright clause's objectives.”

Thus the congress has been assigned the task of defining the scope of limited monopoly that should be granted to authors or to inventors in order to give the public appropriate access to their works or products. Additionally they also hold the responsibility to adapt copyright laws in accordance with the technological development. In the beginning it was the invention of the printing press that initiated the need for copyright protection in society. As a response to new developments, the congress has customized the rules in order to meet the challenges of technological developments.

One of the many concerns raised in the Google Books case was regarding the issue that it would be interfering on the Congress legislative competence. This is also one of the reasons why Judge Chin rejected the Google Books Settlement since he found it to interfere on the Congress legislative competence.

5.3 Digitisation in the United States

5.3.1 Digitisation in the foot steps of Google Books

After the ruling of the United States district court for the southern district of New York, on March 22, 2011, where judge Chin rejected the Google books settlement, a public debate arose. As mentioned before, the court found the settlement to infringe on the Congress ability to set copyright policy with respect to orphan works. Additionally, the settlement as a whole was found to inappropriately implement a forward looking business arrangement granting Google the right to exploit books without permission from the rights holders.

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Subsequently another lawsuit was brought to action as an effect of the Google Books project. The Authors Guild and several prominent authors sued five university libraries that had participated in the Google Books mass digitisation project, known as the HathiTrust case.\textsuperscript{151}

As a consequence, several questions occurred and in order to facilitate further discussion the Copyright Office of the United States prepared an analysis, \textit{Legal Issues in Mass Digitisation: A preliminary analysis and discussion document}. It addresses the relationship between the emerging digital marketplace and the existing copyright framework. By lifting the discussion it wished for different parties to contribute with a variety of approaches, such as voluntary initiatives, legislative options or both.\textsuperscript{152}

A starting point of the on-going discussion would be to look at the projects that already exist and to understand their objectives and learn from their experiences of digitising copyrighted works. The next step is to look at the possible solutions to balance the needs of user groups and the interest of the rights holders. Licencing in different forms or newly developed business models could be a solution but the answer is not as simple. Before applying these solutions some practical issues need to be solved, such as how to compensate rights holders and how well these resolutions respond to the existing legal framework.\textsuperscript{153}

\subsection*{5.3.2 United States scanning projects}

Mass digitisation is a quite new phenomenon and is not established as a scientific term. However in the context of books it has come to signify large-scale scanning, but it might also refer to a systematic methodology or approach. Google Books is the most successful example of one of these projects, with more than 30 million books scanned and digitised.\textsuperscript{154} Another U.S. based project, which is also the oldest digital library, is Project Gutenberg, with more than 45 000 free e-books today. A big difference from the Google Books project, though, is that they decided to focus on books from the public

\begin{flushleft}
\textsuperscript{152} Ibid, summary p. i-ii.  \\
\textsuperscript{153} Ibid, p. 3.  \\
\textsuperscript{154} Ibid, p. 9. 
\end{flushleft}
domain, meaning that there will be no copyright issues, but at same time no access to contemporary literature. Then on April 18, 2013, a project called Digital Public Library of America (DPLA) was launched. The mission of the DPLA is to make all the collections of all their libraries accessible to all citizens and to everyone everywhere with access to the Internet. The DPLA took inspiration from Google’s achievement of building a vast database but they never attempted to replace the Google Books project. Similar to Europeana they strive to unify the digital libraries that already exist and make it easier for users to reach them by a single access point. An important governmental project though, is the Library of Congress, and it has already been dealing with digitisation since 1994. The purpose of the Library of Congress is to preserve the cultural heritage but due to the fact that it only contains public domain books it does not raise many legal issues.

5.3.3 Questions in the digitisation landscape

Through the landscape of already existing projects, some questions have emerged related to digitisation. In order to examine the need for reformation of the U.S. law the first step is so see whether there are any public policy objectives that are not fully met by the current legal framework. The goal of existing projects varies, from consumers’ interests to conservation purposes and as for projects involving copyrighted books this leaves considerations to the congress. If the objectives of these projects are adequately important to the nation this could give the Congress a reason to support digitisation and permit changes of the copyright law. Otherwise the copyright laws will remain in their existing forms and the solutions would be left to the marketplace to solve. Additional questions arising due to mass digitisation are; when should digitisation require consent from the copyright holder? Should there be any difference between the entities, depending on if they are non-profit or profit, public or private? If the answer is yes, what kind of exceptions and limitations

should be implemented to these entities? Another concern is how to reconcile the current legal framework with the “born digital” works, as the policy makers of yesterday could not have had these inventions in their minds when the laws were written.\textsuperscript{158}

\subsection*{5.3.4 Orphan works}

In 2006 the Copyright Office prepared a report for the Congress, which specified detailed findings about the issue as well as gave some recommendations on how to tackle the issue. The congress was very close on adopting legislation, based on many of the recommendations introduced in the report, however, in the end it has not been adopted yet. Even though the proposal was not customized with mass digitisation in mind it would certainly facilitate the access to copyrighted work and also help out these projects, if adopted. The legislation would have limited the remedies of copyright infringement if the user conducted a diligent search prior the use. But it would have been applied on a case-by-case basis meaning that an orphan status is not indefinite and users need to do a new search for every case. Also if the rights holders presented themselves, they would not have the right to demand damages or attorneys fees but instead be entitled to collect a reasonable compensation from the user. There would also be some requirements laid down in the legislation telling how to conduct the diligent search, to search the records of the Copyright Office but also to consult other sources when needed.\textsuperscript{159} Thus, at the moment, the United States lacks legislation addressing the orphan works - in fact they even extended the deadline for public matters on the subject until the 21 of May in 2014.\textsuperscript{160}

\subsection*{5.3.5 Collective management organisations}

The United States has a social system marked by individualism, which gave rise to a belief in social mobility, where utilitarianism and pragmatism were imposed as social ideologies. Socialism on the other hand had very little

\begin{flushright}
\textsuperscript{158} Ibid, p. 15-16.
\textsuperscript{159} Ibid. p. 26-27.
\textsuperscript{160} About extended deadline see http://www.copyright.gov/orphan/ (last visited May 20, 2014).
\end{flushright}
resonance. This background has resulted in a resistance to collective models in the United States. Thus the function of a collective management organisation in the United States differs from other countries. According to the definition for “collective management” provided by WIPO it refers to collectivized aspects, meaning that the organisation carries out tasks beyond the rights management. Those organisations carrying out work without collectivized elements are instead defined as “rights clearance organisations”. Thus since the U.S. collective management organisations fundamentally operates under the economic model, and give culture a less important role there is some evidence supporting the viewpoint of them to be more like rights clearance organisations.\footnote{Gervais, Daniel J., Keynote: “The Landscape of Collective Management Schemes” (October 20, 2011). Columbia Journal of Law & the Arts, Vol. 34, No. 4, 2011; Vanderbilt Law and Economics Research Paper No. 11-46, p. 591-595.}

6. ANALYSIS

6.1 Google Books and the U.S. solution
As a starting point, let us go back to the trigger of the digitisation issue - the Google Books case. I mentioned before under chapter two that the Google Books litigations was solved in two different way. After the rejection of the class action settlement the publishers, AAP, and Google Books decided to settle with a normal licensing agreement between the parties. The Authors Guild litigation still proceeded though. However, Google found it incorrect to let the Authors Guild sue Google on behalf of all authors whose books were scanned without permission and filed a motion. The U.S. Second Circuit Court of Appeals also supported this viewpoint, thus rejecting judge Chin's ruling of the class, which resulted in a remand of the case to first instance. They motivated the rejection with by saying that the primarily issue would be to
answer whether the actions brought by Google fell within fair use. Thereafter could the class certification be analysed.162

Judge Chin went through the four criteria of fair use separately and weighted them together.

1) Purpose and character of the use
Judge Chin found the use of copyrighted materials to be highly transformative. The digitisation of books and transformation of the text has become a useful tool for readers, scholars, libraries and researchers to find books. Furthermore the use of book text to facilitate search through the display of snippets is transformative. Google Books uses the words for a different purpose - the text snippets serve as a pointer directing users to a broad selection of books. Another factor that was considered transformative was the transformation of book text into data for purposes of substantive research, including data mining and text mining in new areas. Thereby it opened up new field of research. Ultimately it is not a tool to read books and so it does not supersede or supplant books. All these factors weighed for a fair use. The fact that Google is a large commercial enterprise usually weighs against fair use but due to its contribution to several important educational purposes. Even assuming the principal motivation is profit the educational purposes strongly favoured a finding of fair use.

2) Nature of Copyright
Also the nature of copyright favoured fair use, based on two considerations. Firstly, most of the books were non-fiction, whereas fiction books are entitled a greater copyright protection. Secondly, the books at issue were already published works available to the public.

3) Amount and substantiality of portion used

Google scanned the full textbooks and offered full text search, although with a limitation of the text visible to a search. This weighed slightly against fair use.

4) Effect of use upon potential market or value

Google does not sell the scans; neither do they replace the books. In fact it actually enriches the sales of books and the benefit of the copyright holders. By online browsing the authors reach out to a bigger audience and it is a convenient tool for ordering a book since Google Books provides links to different booksellers. Hence the fourth factor weighed strongly in favour of fair use.

Finally, all the factors were weighed together in the light of the purpose of the copyright laws. Judge Chin found that Google Books serves many benefits for the society. Some of the benefits listed in the judgement were that it is an important research tool, it helps preserve books, facilitates access to print-disabled and it also generates new audiences and new sources of income. The conclusion was that Google’s use of copyrighted works is fair use and granted a summary judgement in Google’s favour:163

“Google Books provides significant public benefits. It advances the progress of the arts and sciences, while maintaining respectful consideration for the rights of authors.”164

Even in the closely connected case, HathiTrust, the judge held that the libraries conduct falls within fair use. The motivation was that the judge could not imagine a fair use provision that would dismiss such transformativeness, which contributes to science and cultivation in the way of mass digitisation projects.165

This means that after the failure of a class action agreement in United States the problem arising with Google Books was solved firstly by a licensing agreement between the parties, Google and the publishers. Secondly by a ruling saying that the actions brought by Google falls within fair use. This is certainly a big victory for digitisation projects, or at least for Google Books. It is still no clear answer to what the ruling means for digitisation projects in a bigger perspective and for the future. It is important to hold in mind that fair use is determined on a case-by-case basis.

Further the analysis will focus on comparing the Google Books solution and the U.S. legislation with the resolutions made within the European Union.

6.2 Comparison

6.2.1 Exceptions and limitations in general

Both the American law and the European law need authorization primarily from the rights holders and secondarily from the parliament or congress in order to be valid. This follows from the three-step test, which as mentioned above is stated in the Berne Convention as well as in the WCT and the European InfoSoc Directive. Looking at the legislative exceptions and limitations made in both legislative systems they are not as diverse as it might seem. Due to the existence of fair use and its open-ended construction it is easy to believe that the U.S. legislation is much different when it comes to the exceptions and limitations. However, not looking solely on exemptions addressing the mass digitisation projects, the European law and the U.S. law entails many similar exemptions. In fact the U.S. Copyright Act provides a long list of exceptions and limitations. However, for this thesis it lacks relevancy to compare other exceptions than those possibly applicable to the digitisation issue. Accordingly both legislations lack an exception that addresses the problem and even less a resolution to the problem. One big disparity is the fact that the U.S. Copyright Act provides limitations and exceptions valid for the whole of United States. In the EU there is only harmonised law, not coherent law. As mentioned previously all exceptions and limitations but one are optional in the EU. Further they have to be implemented.
into the jurisdiction of each Member State, which might cause some minor differences. Another big difference is that in the U.S. there is already a case implementing fair use of Google Books and their actions, even the linked case HathiTrust stipulates fair use. In Europe there is still a big question mark how to interpret the exceptions, what is allowed and what is not? But it is also important to answer this in order to find a balance between the interests of the public good, the spread of knowledge, and the interest of rights holders, their right to remuneration and control over their work.

As mentioned before in the chapters of European and U.S. law there are two exceptions within both legislations that could possibly address the problem, even though the legislator never could have had mass digitisation in mind when writing them. The European legislation provides the library exception and the exception for private study dedicated to certain terminals, both with the requirement of non-profitable purposes. The U.S. law likewise provides a library exception stipulating a prohibition of economical purposes. Further there is the fair use doctrine, which does not specify such restriction.

6.2.2 Library exceptions

The library exception is not that different, they both have the criteria for “publicly accessibility” and the criteria that do not allow direct or indirect economical advantage. The European library exception is also applicable to museums, however it is not according to Swedish national law. This is due to the exhaustive list of exceptions where only one is mandatory. This means that they cannot implement other exceptions or limitations, on the other hand they are not either bound to implement all the exceptions listed in the directive. Article 5(2)(c) of the InfoSoc Directive uses the word “or” to separate the different cultural institutions mentioned in the exemption, meaning it necessarily does not has to be valid for museum. However, for the U.S. exception museum is not even mentioned as an option. Thus it was suggested in the report from the Section 108 Study Group to add museums to the Section 108 of the Copyright Act. The biggest difference though is that the U.S. legislation limits the reproduction to no more than three copies, and this is solely for special cases such as to replace a damaged work.
6.2.3 The fair use doctrine compared to European exceptions

6.2.3.1 The commercial nature
Fair use is a defence against infringement. Whereas the exemptions like section 108 for libraries tells expressly what is not an infringement. The fair use then has to be applied to the specific case and evaluated in accordance with the criteria laid out in section 107. It is therefore both a chance as well as a risk for the user to advance the idea of fair use, like Google did. Without any relevant case law to rely on the risk becomes even bigger. The judgement of Google Books was a way to circumvent the fact that the legislation was obsolete when it comes to meet the balance of interest between authors and the public as an effect of the digitisation. Correspondingly the European approach would not be able to allow fair use as the U.S. Court did. The fact that it has commercial nature, in fact a strongly commercial nature restricts the possibility for a big company like Google to successfully scan library collections without the consent of the rights holders in Europe. The European approach does not require a non-profitable organisation, but the criterion is to not gain a profit instead solely covering the costs.

6.2.3.2 Transformativeness of the fair use doctrine
As mentioned above the transformativeness is an important part of the fair use doctrine, the more transformative, the more likely is it that the action falls within fair use. Both in the Google Books case and HathiTrust the judges found it to be fair use due to the fact that the new work was transformative compared to the old one. Two Swedish cases are not too different from the cases referred to above as guidelines when the transformative change of the work will allow fair use and thus preclude infringement. To illustrate the difference with and without a fair use defence I will shortly declare for these two cases.

The first Swedish case, NJA 2010 s. 135, has some similarities with Kelly v Arriba Soft, the thumbnail case referenced previously. It was about a web designer who used screen shots of the old webpage and uploaded as a part of the design of the website he was creating for a client. These screen shots
showed the pictures taken by the first web designer, though in a much smaller size. In the ruling was stated that with “picture” they referred to the screen shot, a website in itself could not be seen as a picture. In the end, the Swedish Supreme Court found it to infringe on the right of the copyright holder to use a screen shot where the pictures were visible. Even though the photos were small, they were not an unessential part of the picture. If, however, the pictures would have been published before the use they could fall under exemptions allowing the web designer to use the pictures where the photos were visible. Thus due to old definitions there was no guidance related to interpretation of online publication. The Swedish Supreme Court found it more suitable for the legislator to decide for this.\footnote{NJA 2010 s. 135.}

Further, in the light of transformativeness, Stockholm University Library encountered a similar situation to \textit{A.V. v iParadigm LLC}. In the \textit{A.V. v iParadigm LLC} case, students were forced to accept the use of their papers, whereas Stockholm University Library acted without the consent of the rights holders, as they digitised and published about 1500 dissertations online. However the effect was the same, to infringe on the copyright holders’ rights. Consequently, according to Swedish national law these actions were clear infringements of the copyright, thus the library decided to remove the dissertations.\footnote{About the copying from Stockholm University Library see \url{http://www.dagensjuridik.se/2013/11/universitet-kan-tvingas-betala-skadestand-upphovsrattsintrang-de-far-bita-i-det-sura-applet}.}

Both of the Swedish cases weighed in favour of the copyright holders whereas in the U.S. case they weighed against the interest of the copyright holders, partly due to the transformativeness of the work. In the \textit{A.V. v iParadigm LLC} case court states that it was infringement but that it falls within fair use due to its purpose to prevent plagiarism. This shows how a fair use defence can help circumventing an infringement when the interest for access is considered more important. Looking at the case from Stockholm University Library, the purpose was to give access to research material and disseminate it to the public. Which should represent the interest of the University, the authors as well as the public. Many of the authors did not disagree to the publication,
but it was rather a question about principle, since it clearly was against the copyright law.

6.2.3.3 The effect on the market and the public interest
The fourth factor of the fair use doctrine is said to be the most important one, the effect on the market. Even though Europe lacks a certain exception stipulation this interest one of the main aims for the European Union is to create a well functioning Single Market, which usually is mentioned in the recitals to the Directives. Thus legislation and case law should always be interpreted in the light of the functioning of the Single Market. However due to the fact that in the United States it is implemented as a criterion to evaluate a certain case of infringement, it is still quite different from the European general interest for the Single Market.

This interest for the market can be out read from the European goal to find the right balance between protection of rights and access. In that way it will ensure fair establishments that rewards and incentives the creators whilst safeguarding circulation and dissemination of goods and services.\textsuperscript{168} This balance also catches the fifth factor of public interest which is not stipulated in section 107 of the Copyright Act but which has emerged through case law. Balance in the context of access is an interest represented by the society and their need for free circulation of knowledge.

6.2.3.4 The European private study exception
Accordingly, Europe lacks an exemption similar to the fair use doctrine and at this moment there is no settled case law from the ECJ that addresses the issue of mass digitisation. Thus there is a case pending in the ECJ that might give some clearance how to interpret the exemption in 5(3)(n). This exemption is not comparable to the fair use but since this is the only legislative option available except the library exemption and it will answer some questions in how to use digital books from reading places. Should printing of excerpts or

\textsuperscript{168} Communication from the commission to the European parliament, A single market for Intellectual Property rights – Boosting creativity and innovation to provide economic growth, high quality jobs and first class products and services in Europe, COM (2011) 287 final, Brussels 24.5.2011., p. 7.
the entire work be permitted? Should users be allowed to download the digital copy on a memory stick such as USB and bring it outside the place where terminals made it available? Exemption 5(3)(n) of the InfoSoc Directive is only valid as communication to the public for the purpose of private study on dedicated terminals, in the premises referred to in article 5(2)(c).

The case is about the German technical University of Darmstadt’s, where the library scanned about 100 textbooks and one of them written by Professor Winfried Schulze. An electronic copy was available to read at various computer terminals around the University. However it was limited to number of simultaneous readers at the same time as a physical book. It could never exceed the number of paper copies of the book actually held in the library’s collection. Although, any library user reading the book from the terminal could easily print out excerpts from the work or indeed print out the work in its entirety, entirely for free. Additionally the user could save the whole work on a memory stick and then bring this outside the library. The publisher and copyright holder of the book, Eugen Ulmer KG, objected to this and claimed infringement since Ulmer never gave consent to scan the paper copy of the book. Further Ulmer requested an injunction to stop digitising any book published by Ulmer. Further they requested injunction to stop making digital copies of the books, to stop allowing copies to be printed or saved onto memory sticks, which could later on be reproduced outside the library. The German Supreme Court found that the digitisation had resulted in infringement of the copyright, since the library only had one copy in its collection. Though the infringement would not be tortious if the library could rely upon Article 52b of the German Copyright Act, a provision of national law which implements, more or less, Article 5(3)(n) of the EU’s InfoSoc Directive 2001/29. Therefore the Supreme Court asked the European Court of Justice these questions:169

1. Is use subject to purchase or licensing terms within the meaning of Article 5(3)(n) of Directive 2001/29/EC where the rights holder offers to conclude with the establishments referred to therein licensing

agreements for the use of works on appropriate terms?

2. Does Article 5(3)(n) of Directive 2001/29/EC entitle the Member States to confer on the establishments the right to digitise the works contained in their collections, if that is necessary in order to make those works available on terminals?

3. May the rights which the Member States lay down pursuant to Article 5(3)(n) of Directive 2001/29/EC go so far as to enable users of the terminals to print out on paper or store on a USB stick the works made available there?

Speculating in the possible answers from the ECJ, question number two should be, in my personal point of view answered affirmative. Referring to the Google Books judgment where the public benefits of study and research were valued this should not be seen as infringement even though the wording of the legislation might contradict it. Especially considering the new fifth freedom, it might be even more important to support these purposes. If restricted in the way as would be possible for the use of a physical book, it should not be seen as interfering on the right of the copyright holders. They will still have the exclusive right and would not risk loosing the control over their works.

However when it comes to the third question, even in the light of the Google Books judgement, I find it too far-reaching to allow students to download the paper on a USB stick. Even though a student always has the possibility to copy a book this is not comparable to by a single click print the book or even more to that, download the works and bring it outside the place where the work is made available. In the Google Books case the judge found that the use was not comparable to the use of a book and that it was not a substitute for reading. In my opinion, downloading and quick printing would be to substitute the reading. With a digital copy mass dissemination can be facilitated in a way that I find to jeopardise the copyright holders rights.
6.2.3.5 Fair use as a tool to meet technological challenges

The fair use defence has been used to overcome obstacles due to the contradictions of new technology and copyright laws before. Thus once a precedent is set it benefits everyone. In that way U.S. copyright law have managed to meet new technologies without going through the slow and cumbersome legislation procedure.\(^{170}\) The Google Books case reminds about the background of the VCR tape, where the movie industry protested against the new technology since it meant that they lost control over the broadcasting, due to the fact that people could record the broadcasting content on a VCR. However, looking back the video rental market instead contributed significantly to the fortunes of the movie industry.\(^{171}\) As mentioned earlier the fair use doctrine is not to be seen as a solution to obsolete copyright laws, however it serves as a tool in the absence of legislation to keep up with the technological changes. It is thus not a fully satisfactory solution but at least pragmatic, which corresponds to the pragmatism that has influenced the American society. Due to the narrowly constructed and exhaustive list of exceptions the possibility for a temporary based on a legislative ground resolution, like the fair use doctrine, is not an option in European Union at the moment.

As mentioned previously, the European Commission is working on a thorough examination of the copyright legislation, as well as the list of exceptions. However, awaiting the conclusions and results of that evaluation there has already been some legislative initiatives to facilitate the work of rights clearance on a cross boarder level, such as the Directives for orphan works and collective rights management.


6.2.4 Licensing and other solutions to digitisation

6.2.4.1 Orphan issue
The European Union implemented a directive to facilitate the work of cultural institutions and the digitisation of the cultural heritage. If the Directive will be sufficiently adopted as it intends to be used it will certainly save a lot of time and money in the rights clearance process. Provided that the user follows the steps and criteria laid out in the Directive they will be able to rely on the “diligent search” and then use the orphan work without risking infringement. The United States prepared a similar proposal, however this legislation is not yet adopted and as mentioned earlier the deadline for consolation has even been postponed further. Thus at the moment there is no legislation telling how the orphan works should be handled in the mass digitisation projects. Neither does the Google Books judgment gives a clear answer to that.

There are some dissatisfied voices to the way the orphan issue was solved, or rather ignored by the fair use ruling in the Google Books case. The problem with Google Books was not that Google did not want to pay, but rather to know and find whom to pay. Thus the ruling is a way to circumvent the fact that copyright laws blocks transaction due to unclear rights and high transaction costs. But should not the answer be to unblock them instead? Put in a metaphorical way, why cure a wound by amputation when you can stitch it up? Does the ruling accept free of charge use for the orphan works?172

Still there is no clear answer to what the Google Books ruling means for the orphan works, even the less does it give guidance for orphan works in general.

6.2.4.2 Collective management organisations
Next legislative initiative from the European Union is the Directive on collective rights management. As mentioned earlier one big issue with transaction costs in the European Union is the fact that the union consists of various different states. Thus, each Member State writes laws within their own

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jurisdiction and is only valid inside the borders of each Member State. The recently adopted Directive on collective management of copyright and multi-territorial licensing on musical works can facilitate the works in-between the countries. The directive is aimed to improve transparency but also to facilitate for CMOs to sign multi-territorial licensing agreements. One question arises, though; why is it only for musical works?

According to the motivation of a multi-territorial solution for the online music services is that that these service providers usually want to cover several territories to achieve a large catalogue of music for their users. CMOs play a key role in the management for these kinds of licensing agreements but due to rights clearance issues across boarder they have faced some issues when trying to obtain licenses.\(^{173}\)

The mass digitisation of books is compared to the online dissemination a relatively new mechanism. Most likely it is too early to implement a resolution giving CMOs the right to sign licensing agreements of copyright holders for literary works. Even though a solution is needed now, it might be wisely to not rush a solution. For the U.S. who has their fair use defence it is easier to change the direction with time by new guiding case law, whereas the European legislation needs to be examined in the light of the objectives wanted to obtain before any actions are set in.

The issue of transaction cost is not only a problem for the EU but also for the United States, however since the Copyright Act is valid for the whole jurisdiction of the United States it results in a smoother way of licensing. One difference though is that the CMOs in the United States have a more economical role and thus more a rights clearance function, whereas the European approach for CMOs serves not only economical goals but also cultural interests.

6.2.4.3 Google Books amended settlement and extended collective licensing

An interesting perspective regarding the Google Books Agreement is to look at its similarities with the Nordic extended collective license (ECL) model, which is a form of collective licensing. This model is a Scandinavian invention on how to use collective licensing as a possible solution to the problems related to mass digitisation and online dissemination, when it is more or less impossible to identify the rights holder in the specific case and to make an individual agreement for a secondary use of the work. It has thus shown to be a solution for the copyright related problems due to online dissemination. The ECL model is a way to circumvent the problem of costly transaction cost and a way for cultural institutions to solve the problem of rights clearance. Fundamentally it is an agreement between a representative CMO and a user, with a provision of mediation between them and with a principle of equal treatment. The ECL model stipulates the user with a right to use similar works as those covered by the agreement, even though the rights holders are not represented by the CMO, so called outsiders. Nevertheless the outsiders generally have the possibility to opt-out of use and for rights holders in general the ECL model provides with a right to claim individual remuneration. Due to this balance of interest between the rights holders and the users the model is a form of licensing closer to collective rights management than to compulsory licensing. In the beginning it was used primarily in broadcasting and photocopying for educational purposes. Thus the Nordic legislators expanded the areas of use, to justify an ECL provision four criteria have to be met.174

1) Apparent demand for mass-use and legitimate public interest to make use legal.

2) Individual and collective agreements are incapable of meeting the demand due to high transaction costs for clearing outsiders rights.

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3) Exception or compulsory license (managed collectively) deemed too far-reaching, as the right holders should be given remuneration for the use and this remuneration should be based on free negotiations.

4) Potential incompatibility of an exception or compulsory license with international EU copyright norms.\(^{175}\)

Google planned to set up the so-called Registry a form of CMO to handle the rights holders. The registry was supposed to manage the revenues and the rights clearance in the interest of the authors; even this goes in accordance with the criteria of having a CMO representing the parties for the ECL agreement. The proposed ASA was a class action, meaning that it would have been binding even for those copyright holders who were not represented by the parties’ negotiation the agreement. This is similar to the way an outsider becomes a part of the licensing agreement by the terms of an ECL provision. According to the proposed agreement copyright holders also had the right to opt-out of the project if they disapproved. However, the fact that it was a proposed class action means it would apply to everyone with a copyright interest within the US. Looking at the ECL model this is too far reaching, the “outsider effect” implemented can only apply within a certain field of use, the use agreed upon between the user and the CMO.\(^{176}\)

Another similarity is the opt-out solution provided by both Google and the ECL model. Any copyright holder who wished to opt-out of use would have their works removed as soon as reasonably practicable, but at least within 30 days from the request. Even though the possibility to opt-out is a part of the ECL model it is not a compulsory part, which was the case of the Google Books agreement. The possibility to opt-out of use is designed a bit differently among the Nordic countries. In Sweden and Finland most of the opt-out applies to most of the provisions, whereas in Denmark roughly half of the provision

\(^{175}\) Ibid, p. 28.

allows opt-out and in Norway most of the provisions do not allow an opt-out provision. It is therefore not a compulsory part of the ECL agreement.\textsuperscript{177}

One big difference though, is that if the Google Books agreement would have been accepted, it would differ from an ECL agreement because it would have created a regime for one single user, without any input from the legislative branch or oversight from the courts. This is one of the reasons why the settlement was rejected, since it was considered to be a forward-looking business agreement granting Google with a huge advantage over its competitor.\textsuperscript{178} As regards ECL agreement in general there are no such regimes in the U.S. at the moment.\textsuperscript{179}

\textbf{6.2.4.4 Mandatory collective licensing}

In Europe there is only one provision of compulsory collective licensing available and it concerns the right of cable re-transmission in article 9 of Directive 93/83/EEC. This compulsory licensing was introduced in order to prevent copyright holders from blocking the use with unreasonable claims.\textsuperscript{180}

Neither the United States have a compulsory licensing addressing the mass digitisation. From a historical point of view a compulsory licensing has been supported by the Copyright Office only for the circumstances of genuine market failure and only as long as it is necessary for the purpose to achieve of a specific goal. In the context of mass digitisation a compulsory licensing could only be justified as a last resort solution and it represents an important national objective. However, this kind of mechanism has to be very carefully tailored, to address a specific failure in a specifically defined market. Further it has to be designed adequately limited to comply with international obligations and the

\begin{footnotes}
\footnotetext[177]{Axhamn, Johan & Guibault, Lucie: “Cross-border extended collective licensing: a solution to online dissemination of Europe’s cultural heritage?”, Final report prepared for EuropeanaConnect, Amsterdam, 2011, p. 37.}
\footnotetext[179]{Ibid, p. 34.}
\footnotetext[180]{Axhamn, Johan & Guibault, Lucie: “Cross-border extended collective licensing: a solution to online dissemination of Europe’s cultural heritage?”, Final report prepared for EuropeanaConnect, Amsterdam, 2011, p. 38.}
\end{footnotes}
three-step test, which are protecting the rights holders from interfering in their rights.181

6.2.5 Conclusion

On the eastern side of the Atlantic it seems like the solution to mass digitisation has come to take a more non-profitable direction, whereas on the western side of the ocean the mass digitisation is lead by a profitable company; Google. As mentioned previously there are other projects than Google Books but none as big or even close in the amount of scanned work. Since Google is a multinational company, and one of the world’s leading companies, they do have a great advantage when it comes to financing the project. For example, Europeana aims for 30 million books in 2015 whereas Google Books had 20 million already in 2013. Due to the Internet Google Books can of course be accessed even from Europe but due to the principle of territoriality they cannot scan European works without the consent of the rights holders. Thus Google Books in Europe work under the same condition as any other digitisation project.

Many have warned about the privatisation trends of culture, which the Google Books case shows, that it shifts the culture into a more market-centralised position. Simply relying on the market and its possibility to serve the full interest is unlikely the best solution for digitisation.182 For the moment Google has nothing but good intention. But what happens when you leave the knowledge of humankind in the hands of a big multinational company such as Google or any other profitable organisation? Is this good or bad for our cultural heritage? These are concerns that deserve to be evaluated in the digitisation discussion.

In order to achieve the primary constitutional goal, which is free circulation of knowledge, the United States provides a temporary solution in the absence of the first best solution; legislation. However, this second best solution might leave some question marks, in the way it did for the orphan problem. Seen from that point of view the European Union already has actions on their way,  

which according to me is a better way to solve the issue of unknown copyright holders.

Authors have been and are still an important contribution for our society. They hand down knowledge, support creativity and stimulate the imagination for humankind. Google Books and other digitisation projects are undoubtedly amazing tools to support the dissemination of their works. Additionally, as a solution to conservation and preservation it is a revolutionary solution, as it will save vast collections of knowledge and stories that otherwise would have gone lost. When it comes to Google Books it also generates more money for the publishers and authors and serves as a great research tool. Google created a tool with the mission to make the world’s information accessible and useful for everyone, which is the mission Google tries to apply to all of their products. Thus this also applies to Google Books – to make all the books of the world free and accessible to everyone. I support Google Books and other digitisation projects but find it important to search solutions through the legislative path or by case law. The fair use is a satisfying next best solution, provided it is a temporary solution and not the final solution. Europe solves the problem by directives, which from a legal point of view might be more secure.

Digitisation of books will thus facilitate and make knowledge reachable for a vast audience, which of course is a good thing. Still the problem remains. How will the contradicting interest of creators and the public be solved? This is always a question of balance. In my opinion it is important to not loosen the copyright protection too far in order to satisfy the public good. Shortening of the protection time for copyrighted works would facilitate the work and partly solve the problem. But looking at the purpose of the copyright protection, the authors still need to make a living out of their works. If decreasing the times for copyright protection, how far could the limit be pushed without preventing creation and jeopardizing the remuneration of the rights holders? Once again, the public benefits against the rights holders. Where is that balance between protection and access? I will give the victory to the rights holders though, if the perfect balance cannot be found and one cup has to weight more than the other. Because if we sacrifice the copyright protection to that extent that authors and publishers no longer can make a living out of it we also sacrifice the knowledge and creativity of humankind.
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