

INTERNATIONAL INTELLECTUAL
PROPERTY – SELECTED TOPICS

SPRING 2018

LOYOLA LAW SCHOOL

Prof. Hughes

Take Home Examination

Introduction

This is a twenty-four hour, take home examination. You have 24 hours from the time you access this exam to submit your answers.

Conditions and your professional commitments

Once you have received this exam, you may not discuss it with anyone prior to the end of the examination period. Nor may you discuss the exam at ANY time with any student in the class who has not taken it. You may NOT collaborate on this work.

Professor Hughes permits you to use any inanimate resources. The only limitations on outside resources are those established by the law school for examinations. But you need no materials besides the course packs to produce “A” work for this exam.

By turning in your answers you certify that you did not gain advance knowledge of the contents of the examination, that the answers are entirely your own work, and that you have complied with all relevant Loyola Law School rules.

The examination consists of four parts. Part I is just a statement that you watched the video class available at <https://www.youtube.com/watch?v=rWJc5ONg3Sk&feature=youtu.be>; Part II is a set of true/false questions; Part III requires an answer to ONE of TWO short essay questions; and Part IV is a longer essay.

GOOD LUCK

Good summer to all – thanks for an enjoyable semester.

PART I

Please provide a short statement before the true/false answers that you watched the video class on copyright treaties available at <https://www.youtube.com/watch?v=rWJc5ONg3Sk&feature=youtu.be>.

PART II

TRUE/FALSE QUESTIONS
(30 points)

This part of the exam is worth 30 points. Each answer is worth 2 points. Note that there are 17 questions, so in the same spirit as the LSAT and other standardized tests, you can get 2 wrong and still get a maximum score on this section.

Please provide your answers to this section as a single column series, numbered 1 to 17, with “T” or “F” beside each number, i.e.,

- 20. True
- 21. False
- 22. False

Make sure these T/F answers are on a separate page from the essay answers.

If you are concerned about a question, you may write a note before your essay answers concerning that question [mark the section “True/False Comments”], but only do so if you believe that there is a fundamental ambiguity in the question.

TRUE OR FALSE

- 01. If a country qualifies as “Least Developed” under TRIPS Article 66, it currently has obligations under the “most favored nation” provision of TRIPS, but not the “national treatment” provision of TRIPS.
- 02. TRIPS Article 6 establishes that each WTO jurisdiction can decide whether or not to have a “first sale” doctrine that “exhausts” the intellectual property (IP) owner’s right to con-

trol further distribution of a product that the IP owner has sold.

03. Even if SOVIET CHAMPAGNE [Sovetskoye Shampansko-ye or Советское Шампанское in Cyrillic] was a product name dating back to the 1980s in the USSR/Russia and it has been a registered trademark in Russia for decades, once the Russian Federation joined the WTO (August 2012) it had a duty under TRIPS Articles 22-24 to cancel the registration of SOVIET CHAMPAGNE and prohibit use of the phrase because CHAMPAGNE is a protected geographical indication in the European Union.
04. If Malaysia does not provide for criminal penalties in cases of willful patent infringement on a commercial scale, it will be in violation of its obligations under TRIPS Article 61.
05. The TRIPS Article 31 requirement that any compulsory license issued by a WTO Member shall be “predominantly for the supply of the domestic market of the Member authorizing such use” does not apply when the compulsory license is for a pharmaceutical product that will be exported to an “eligible importing Member” under the requirements of TRIPS Article 31*bis*.
06. “Protocol 3” of the Economic Partnership Agreement between the European Union and six members of the Southern African Development Community gives specified European GIs – especially GIs for products other than wines and spirits – much more extensive protection in South Africa than is required under TRIPS Article 22.
07. In *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights* (DS362, 2009), the panel concluded that China’s inspection and enforcement efforts against ex-ports were not required by TRIPS because TRIPS Article 51 “provides for an optional extension to ‘infringing goods destined for exportation’” and that, therefore, “there is no obligation to apply the requirements of Article 59 to goods destined for exportation.”

08. Article 4 of the Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind (2013) requires countries that ratify the treaty to provide a copyright exception to the right of public performance for the benefit of the blind or other persons with print disabilities.
09. One of the criticisms of Canada's amendments to its patent law to implement TRIPS Article 31*bis* is that it gives patent holder a "first right of refusal" to supply the pharmaceutical product to the importer or to grant a voluntary licence. Critics have said that this "first right of refusal" would act as a disincentive to Canadian generic manufacturers to invest time and money in negotiating supply contracts with developing countries.
10. In *European Communities – Protection of Trademark and Geographical Indications for Agricultural Products and Foodstuffs* (DS174, 2005), the Panel concluded that the limitation on some trademark rights caused by the EU Origins Regulation was not excused by TRIPS Article 17.
11. WTO panels have concluded that "legitimate interests" in TRIPS Article 13 means the precise legal rights of the party in question, while, in contrast, "legitimate interests" in TRIPS Article 30 means justifiable interests and interests that have legitimacy from a "normative perspective."
12. In *United States – Section 110(5) of the Copyright Act* (DS160, 2001), the WTO Panel concluded that integration of the Berne Convention into the TRIPS Agreement included the Berne "acquis" and, therefore, that the "minor exceptions doctrine" of the Berne Convention was also carried over into the TRIPS Agreement.
13. If Uruguay provides a ten (10) year term of trademark registration for foreign registrants, but only a five (5) year term of trademark registration for domestic registrants, Uruguay will be in violation of its Most Favored Nation obligations under TRIPS Article 4.

14. If Norway and South Korea reach a bilateral free trade agreement in which they commit to give each other's citizens an extra five year term of protection for patents beyond the TRIPS minimum [i.e. a Norwegian inventor gets a 25 year patent in Japan; a Japanese inventor gets a 25 year patent in Norway], but neither country provides this patent term extension to inventors from other countries, this will be a violation of TRIPS Article 4.
15. In *Canada – Patent Protection of Pharmaceutical Products* (DS114, 2000), the panel found that Canada's "stockpiling" rule did not violate TRIPS Article 28(1) and Article 33 because it was a permissible exception under TRIPS Article 30.
16. Although statistics from China Customs showed that only a small percentage of counterfeit trademark goods were allowed to be auctioned (after removal of the trademark), the panel in *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights* (DS362, 2009) concluded that China Customs regulations violated the last sentence of TRIPS Article 46 as integrated into TRIPS Article 59.
17. If Algeria belongs to the Berne Convention but not the WTO, Cambodia belong to the WTO but not the Berne Convention, and Argentina belongs to both WTO and Berne, then Argentine copyright law must give both Algerian and Cambodian authors "the exclusive right of making and of authorizing the translation of their works" as provided in Berne Article 8.

PART III – ESSAY QUESTION (CHOOSE ONE)
(20 points)

Recommended 500-750 words / 750 words maximum

This part of the Examination requires a short essay answer (500-750 words) to ONE of the TWO problems below. Again, you should choose ONE of the essay questions and answer it. Please make sure that the answer starts on a separate page from the T/F and please make sure you use 1.5 line spacing for ease of reading.

Please include a word count (such as “This essay is 687 words”) at the end of the essay. Professor Hughes takes on no obligation to read any one essay beyond the 750 word limit.

For each of these essays, imagine that you are an intellectual property specialist working in the General Counsel’s Office of the U.S. Department of Commerce. The Deputy Secretary of Commerce, Mona Jaconde, is going to meet with her Australian counterpart. Deputy Secretary Jaconde needs short [no more than 750 word] briefing papers on key issues that might come up in these Australia-U.S. discussions. You are responsible for the briefing papers on intellectual property matters.

ESSAY A

Australia’s “plain packaging” rules for cigarettes

The arbitration over Australia’s “plain packaging” rules for cigarettes between Philip Morris and the Government of Australia under the 1993 Hong Kong-Australia Agreement for the Promotion and Protection of Investments was ultimately decided on jurisdictional grounds : that Philip Morris Asia, based in Hong Kong, could not bring a claim under the Hong Kong-Australia Agreement because Philip Morris Asia knew about Australia’s plans for plain packaging legislation when Philip Morris “invested” in Philip Morris Australia.

But Philip Morris also made a claim in the arbitration that Australia’s stringent rules forbidding cigarette packaging trade dress and strictly controlling use of cigarette brand trademarks was a violation of TRIPS Article 20. [This claim is on page 93 of Course pack #6]. TRIPS Article 20 provides as follows:

Article 20

Other Requirements

The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings. This will not preclude a require-

ment prescribing the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the specific goods or services in question of that undertaking.

This is now one of the claims in WTO disputes brought against Australia by Ukraine, Honduras, the Dominican Republic, Cuba and Indonesia. (For the dispute brought by Indonesia, see https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds467_e.htm but you do NOT need to read anything besides course pack #6.) A decision in the cases is expected later in the summer of 2018.

Write a short briefing memo for Deputy Secretary Jaconde explaining how Australia's laws – as described in the Philip Morris claim in course pack #6 – may or may not violate TRIPS Article 20. Be sure to present the arguments on both sides to give Jaconde an even-handed account.

ESSAY B

Australia's site blocking law

As you know, Australia has extensive obligations under the TRIPS Agreement for the enforcement of intellectual property rights. We have studied many of these, but there are other obligations we have not studied, including ensuring that judicial and/or customs authorities have “authority to order a party to desist from an infringement, *inter alia* to prevent the entry into the channels of commerce in their jurisdiction of imported goods that involve the infringement of an intellectual property right, immediately after customs clearance of such goods” (Article 41) and “authority to order prompt and effective provisional measures (a) to prevent an infringement of any intellectual property right from occurring, and in particular to prevent the entry into the channels of commerce in their jurisdiction of goods” (Article 50(1)).

At the same time, under Article 17:29 of the 2004 Australia-U.S. Free Trade Agreement (AUSFTA), Australia has certain obligations to shield internet service providers from copyright liability.

In light of these varied obligations, evaluate the new section

115A recently added to Australia’s copyright law; the section is below. In Australia a “carriage service provider” is the statutory term used for a telecommunications company or what Americans would call an “internet service provider.”

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COPYRIGHT ACT 1968 - SECT 115A

Injunctions against carriage service providers providing access to online locations outside Australia

(1) The Federal Court of Australia may, on application by the owner of a copyright, grant an injunction referred to in subsection (2) if the Court is satisfied that:

- (a) a carriage service provider provides access to an online location outside Australia; and
- (b) the online location infringes, or facilitates an infringement of, the copyright; and
- (c) the primary purpose of the online location is to infringe, or to facilitate the infringement of, copyright (whether or not in Australia).

(2) The injunction is to require the carriage service provider to take reasonable steps to disable access to the online location.

Parties

(3) The parties to an action under subsection (1) are:

- (a) the owner of the copyright; and
- (b) the carriage service provider; and
- (c) the person who operates the online location if, but only if, that person makes an application to be joined as a party to the proceedings.

Service

(4) The owner of the copyright must notify:

- (a) the carriage service provider; and
- (b) the person who operates the online location;

of the making of an application under subsection (1), but the Court may dispense, on such terms as it sees fit, with the notice required to be sent under paragraph (b) if the Court is satisfied that the

owner of the copyright is unable, despite reasonable efforts, to determine the identity or address of the person who operates the online location, or to send notices to that person.

Matters to be taken into account

(5) In determining whether to grant the injunction, the Court may take the following matters into account:

- (a) the flagrancy of the infringement, or the flagrancy of the facilitation of the infringement, as referred to in paragraph (1)(c);
- (b) whether the online location makes available or contains directories, indexes or categories of the means to infringe, or facilitate an infringement of, copyright;
- (c) whether the owner or operator of the online location demonstrates a disregard for copyright generally;
- (d) whether access to the online location has been disabled by orders from any court of another country or territory on the ground of or related to copyright infringement;
- (e) whether disabling access to the online location is a proportionate response in the circumstances;
- (f) the impact on any person, or class of persons, likely to be affected by the grant of the injunction;
- (g) whether it is in the public interest to disable access to the online location;
- (h) whether the owner of the copyright complied with subsection (4);
- (i) any other remedies available under this Act;
- (j) any other matter prescribed by the regulations;
- (k) any other relevant matter.

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PART IV – ESSAY QUESTION

(50 points)

Recommended 1,250-1,500 words / 1,500 words maximum

This part of the examination requires a longer essay answer (1,250-1,500 words) to the following question. Again, please make sure that the answer starts on a separate page from the T/F and the

Part II essay ; please make sure you use 1.5 line spacing for ease of reading.

Please include a word count (such as “This essay is 1,340 words”) at the end of the essay. Professor Hughes takes on no obligation to read any one essay beyond the 1,500 word limit.

* * *

17 U.S.C. § 107, *Google Books*, and the Three Step Test

Mona Jaconde was recently appointed as the European Union Commissioner for “Digital Economy and Society” and her portfolio includes copyright matters. You are a staff attorney in the Commissioner’s office.

Of all parts of American copyright law, the biggest headache for the European Commission has always been the U.S. doctrine of “fair use,” codified in 17 U.S.C. § 107. Section 107 uses a four factor analysis to determine – on a case-by-case basis – whether a defendant’s use of copyrighted materials is exempt from liability. Copyright experts from civil law jurisdictions (France, Spain, Germany, Italy, etc.) find this especially hard to understand and believe that American fair use violates the “three step test” in TRIPS Article 13 and Berne Article 9(2).

Complaints among European copyright owners about the American fair use law have only grown following the conclusion of the *Authors Guild v. Google* litigation, in which the Second Circuit concluded that Google’s reproduction and retention of millions of copies of copyrighted books in order to provide a public “search” function for books is a “fair use” despite Google being a profit-making company. *Authors Guild v. Google*, 804 F.3d 202 (2d Cir. 2015), cert. denied 136 S.Ct. 1658 (2016). A number of European copyright owners have scheduled a meeting with Commissioner Jaconde later this week to ask the European Union to begin a WTO dispute against the United States challenging 17 U.S.C. § 107.

Knowing about your knowledge of the TRIPS Agreement, she has asked you to prepare a medium-sized briefing memo for her – no more than 1,500 words – analyzing whether 17 U.S.C. § 107, particularly given the result of *Authors Guild v. Google*, is compatible

with the “three step test” in TRIPS Article 13 and Berne Article 9(2). An edited version of the decision – including the entire text of § 107 – follows.

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The AUTHORS GUILD, et al.

v.

GOOGLE, INC.

Decided: Oct. 16, 2015.

Before: LEVAL, CABRANES, PARKER, Circuit Judges.

LEVAL, Circuit Judge:

This copyright dispute tests the boundaries of fair use. Plaintiffs, who are authors of published books under copyright, sued Google, Inc. (“Google”) for copyright infringement in the United States District Court for the Southern District of New York (Chin, *J.*). They appeal from the grant of summary judgment in Google’s favor. Through its Library Project and its Google Books project, acting without permission of rights holders, Google has made digital copies of tens of millions of books, including Plaintiffs’, that were submitted to it for that purpose by major libraries. Google has scanned the digital copies and established a publicly available search function. An Internet user can use this function to search without charge to determine whether the book contains a specified word or term and also see “snippets” of text containing the searched-for terms. In addition, Google has allowed the participating libraries to download and retain digital copies of the books they submit, under agreements which commit the libraries not to use their digital copies in violation of the copyright laws. These activities of Google are alleged to constitute infringement of Plaintiffs’ copyrights. Plaintiffs sought injunctive and declaratory relief as well as damages.

Google defended on the ground that its actions constitute “fair use,” which, under 17 U.S.C. § 107, is “not an infringement.” The district court agreed. Plaintiffs brought this appeal.

Plaintiffs contend the district court’s ruling was flawed in several respects. They argue: (1) Google’s digital copying of entire books, allowing users through the snippet function to read portions, is not a “transformative use” within the meaning of *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, (1994), and provides a substitute for Plaintiffs’ works; (2) notwithstanding

that Google provides public access to the search and snippet functions without charge and without advertising, its ultimate commercial profit motivation and its derivation of revenue from its dominance of the worldwide Internet search market to which the books project contributes, preclude a finding of fair use; (3) even if Google's copying and revelations of text do not infringe plaintiffs' books, they infringe Plaintiffs' *derivative rights* in search functions, depriving Plaintiffs of revenues or other benefits they would gain from licensed search markets; (4) Google's storage of digital copies exposes Plaintiffs to the risk that hackers will make their books freely (or cheaply) available on the Internet, destroying the value of their copyrights; and (5) Google's distribution of digital copies to participant libraries is not a transformative use, and it subjects Plaintiffs to the risk of loss of copyright revenues through access allowed by libraries. We reject these arguments and conclude that the district court correctly sustained Google's fair use defense.

Google's making of a digital copy to provide a search function is a transformative use, which augments public knowledge by making available information *about* Plaintiffs' books without providing the public with a substantial substitute for matter protected by the Plaintiffs' copyright interests in the original works or derivatives of them. The same is true, at least under present conditions, of Google's provision of the snippet function. Plaintiffs' contention that Google has usurped their opportunity to access paid and unpaid licensing markets for substantially the same functions that Google provides fails, in part because the licensing markets in fact involve very different functions than those that Google provides, and in part because an author's derivative rights do not include an exclusive right to supply information (of the sort provided by Google) about her works. Google's profit motivation does not in these circumstances justify denial of fair use. Google's program does not, at this time and on the record before us, expose Plaintiffs to an unreasonable risk of loss of copyright value through incursions of hackers. Finally, Google's provision of digital copies to participating libraries, authorizing them to make non-infringing uses, is non-infringing, and the mere speculative possibility that the libraries might allow use of their copies in an infringing manner does not make Google a contributory infringer. Plaintiffs have failed to show a material issue of fact in dispute.

We affirm the judgment.

BACKGROUND

* * *

II. Google Books and the Google Library Project

Google's Library Project, which began in 2004, involves bi-lateral agreements between Google and a number of the world's major research libraries. Under these agreements, the participating libraries select books from their collections to submit to Google for inclusion in the project. Google makes a digital scan of each book, extracts a machine-readable text, and creates an index of the machine-readable text of each book. Google retains the original scanned image of each book, in part so as to improve the accuracy of the machine-readable texts and indices as image-to-text conversion technologies improve.

Since 2004, Google has scanned, rendered machine-readable, and indexed more than 20 million books, including both copyrighted works and works in the public domain. The vast majority of the books are non-fiction, and most are out of print. All of the digital information created by Google in the process is stored on servers protected by the same security systems Google uses to shield its own confidential information.

The digital corpus created by the scanning of these millions of books enables the Google Books search engine. Members of the public who access the Google Books website can enter search words or terms of their own choice, receiving in response a list of all books in the database in which those terms appear, as well as the number of times the term appears in each book. A brief description of each book, entitled "About the Book," gives some rudimentary additional information, including a list of the words and terms that appear with most frequency in the book. It sometimes provides links to buy the book online and identifies libraries where the book can be found. The search tool permits a researcher to identify those books, out of millions, that do, as well as those that do not, use the terms selected by the researcher. Google notes that this identifying information instantaneously supplied would otherwise not be obtainable in lifetimes of searching.

No advertising is displayed to a user of the search function. Nor does Google receive payment by reason of the searcher's use of Google's link to purchase the book.

The search engine also makes possible new forms of research, known as "text mining" and "data mining." Google's "ngrams" research tool draws on the

Google Library Project corpus to furnish statistical information to Internet users about the frequency of word and phrase usage over centuries. This tool permits users to discern fluctuations of interest in a particular subject over time and space by showing increases and decreases in the frequency of reference and usage in different periods and different linguistic regions. It also allows researchers to comb over the tens of millions of books Google has scanned in order to examine “word frequencies, syntactic patterns, and thematic markers” and to derive information on how nomenclature, linguistic usage, and literary style have changed over time. *Authors Guild, Inc.*, 954 F.Supp.2d at 287. The district court gave as an example “track[ing] the frequency of references to the United States as a single entity (‘the United States is’) versus references to the United States in the plural (‘the United States are’) and how that usage has changed over time.” *Id.*

The Google Books search function also allows the user a limited viewing of text. In addition to telling the number of times the word or term selected by the searcher appears in the book, the search function will display a maximum of three “snippets” containing it. A snippet is a horizontal segment comprising ordinarily an eighth of a page. Each page of a conventionally formatted book in the Google Books database is divided into eight non-overlapping horizontal segments, each such horizontal segment being a snippet. (Thus, for such a book with 24 lines to a page, each snippet is comprised of three lines of text.) Each search for a particular word or term within a book will reveal the same three snippets, regardless of the number of computers from which the search is launched. Only the first usage of the term on a given page is displayed. Thus, if the top snippet of a page contains two (or more) words for which the user searches, and Google’s program is fixed to reveal that particular snippet in response to a search for either term, the second search will duplicate the snippet already revealed by the first search, rather than moving to reveal a different snippet containing the word because the first snippet was already revealed. Google’s program does not allow a searcher to increase the number of snippets revealed by repeated entry of the same search term or by entering searches from different computers. A searcher can view more than three snippets of a book by entering additional searches for different terms. However, Google makes permanently unavailable for snippet view one snippet on each page and one complete page out of every ten—a process Google calls “blacklisting.”

Google also disables snippet view entirely for types of books for which a single snippet is likely to satisfy the searcher’s present need for the book, such as dictionaries, cookbooks, and books of short poems. Finally, since 2005, Google will exclude any book altogether from snippet view at the

request of the rights holder by the submission of an online form.

Under its contracts with the participating libraries, Google allows each library to download copies—of both the digital image and machine-readable versions—of the books that library submitted to Google for scanning (but not of books submitted by other libraries). This is done by giving each participating library access to the Google Return Interface (“GRIN”). The agreements between Google and the libraries, although not in all respects uniform, require the libraries to abide by copyright law in utilizing the digital copies they download and to take precautions to prevent dissemination of their digital copies to the public at large. Through the GRIN facility, participant libraries have downloaded at least 2.7 million digital copies of their own volumes.

* * *

DISCUSSION

Section 107, in its present form, provides:

[T]he fair use of a copyrighted work ... 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 a commercial nature or is for nonprofit educational purposes;**
- (2) the nature of the copyrighted work;**
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and**
- (4) the effect of the use upon the potential market for or value of the copyrighted work.**

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.

17 U.S.C. § 107. As the Supreme Court has designated fair use an affirmative defense, *see Campbell*, 510 U.S. at 590, 114 S.Ct. 1164, the party

asserting fair use bears the burden of proof, *Am. Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 918 (2d Cir.1994).

[*The court then described the Campbell v. Acuff-Rose decision*]

II. The Search and Snippet View Functions

A. Factor One

(1) *Transformative purpose.* *Campbell* 's explanation of the first factor's inquiry into the "purpose and character" of the secondary use focuses on whether the new work, "in Justice Story's words, ... merely 'supersede[s] the objects' of the original creation, ... or instead adds something new, with a further purpose.... [I]t asks, in other words, whether and to what extent the new work is 'transformative.'" 510 U.S. at 578-579, 114 S.Ct. 1164 (citations omitted). While recognizing that a transformative use is "not absolutely necessary for a finding of fair use," the opinion further explains that the "goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works" and that "[s]uch works thus lie at the heart of the fair use doctrine's guarantee of breathing space within the confines of copyright." *Id.* at 579, 114 S.Ct. 1164. In other words, transformative uses tend to favor a fair use finding because a transformative use is one that communicates something new and different from the original or expands its utility, thus serving copyright's overall objective of contributing to public knowledge.

The word "transformative" cannot be taken too literally as a sufficient key to understanding the elements of fair use. It is rather a suggestive symbol for a complex thought, and does not mean that any and all changes made to an author's original text will necessarily support a finding of fair use.

* * *

[T]he would-be fair user of another's work must have justification for the taking. A secondary author is not necessarily at liberty to make wholesale takings of the original author's expression merely because of how well the original author's expression would convey the secondary author's different message. Among the best recognized justifications for copying from another's work is to provide comment on it or criticism of it. A taking from another author's work for the purpose of making points that have no bearing on the original may well be fair use, but the taker would need to show a justification. This part of the Supreme Court's discussion is significant in assessing Google's claim of fair use because, as discussed

extensively below, Google's claim of transformative purpose for copying from the works of others is to provide otherwise unavailable information about the originals.

* * *

(2) *Search Function*. We have no difficulty concluding that Google's making of a digital copy of Plaintiffs' books for the purpose of enabling a search for identification of books containing a term of interest to the searcher involves a highly transformative purpose, in the sense intended by *Campbell*. Our court's exemplary discussion in *HathiTrust* informs our ruling. That case involved a dispute that is closely related, although not identical, to this one. Authors brought claims of copyright infringement against HathiTrust, an entity formed by libraries participating in the Google Library Project to pool the digital copies of their books created for them by Google. The suit challenged various usages HathiTrust made of the digital copies. Among the challenged uses was HathiTrust's offer to its patrons of "full-text searches," which, very much like the search offered by Google Books to Internet users, permitted patrons of the libraries to locate in which of the digitized books specific words or phrases appeared. 755 F.3d at 98. (HathiTrust's search facility did not include the snippet view function, or any other display of text.) We concluded that both the making of the digital copies and the use of those copies to offer the search tool were fair uses. *Id.* at 105.

Notwithstanding that the libraries had downloaded and stored complete digital copies of entire books, we noted that such copying was essential to permit searchers to identify and locate the books in which words or phrases of interest to them appeared. *Id.* at 97. We concluded "that the creation of a full-text searchable database is a quintessentially transformative use ... [as] the result of a word search is different in purpose, character, expression, meaning, and message from the page (and the book) from which it is drawn." *Id.* We cited *A.V. ex rel. Vanderhuy v. iParadigms, LLC*, 562 F.3d 630, 639-40 (4th Cir.2009), *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1165 (9th Cir.2007), and *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 819 (9th Cir.2003) as examples of cases in which courts had similarly found the creation of complete digital copies of copyrighted works to be transformative fair uses when the copies "served a different function from the original." *HathiTrust*, 755 F.3d at 97.

As with *HathiTrust* (and *iParadigms*), the purpose of Google's copying of the original copyrighted books is to make available significant information *about those books*, permitting a searcher to identify those that contain a word or

term of interest, as well as those that do not include reference to it. In addition, through the ngrams tool, Google allows readers to learn the frequency of usage of selected words in the aggregate corpus of published books in different historical periods. We have no doubt that the purpose of this copying is the sort of transformative purpose described in *Campbell* as strongly favoring satisfaction of the first factor.

* * *

(3) *Snippet View*. Plaintiffs correctly point out that this case is significantly different from *HathiTrust* in that the Google Books search function allows searchers to read snippets from the book searched, whereas HathiTrust did not allow searchers to view any part of the book. Snippet view adds important value to the basic transformative search function, which tells only whether and how often the searched term appears in the book. Merely knowing that a term of interest appears in a book does not necessarily tell the searcher whether she needs to obtain the book, because it does not reveal whether the term is discussed in a manner or context falling within the scope of the searcher's interest. For example, a searcher seeking books that explore Einstein's theories, who finds that a particular book includes 39 usages of "Einstein," will nonetheless conclude she can skip that book if the snippets reveal that the book speaks of "Einstein" because that is the name of the author's cat. In contrast, the snippet will tell the searcher that this is a book she needs to obtain if the snippet shows that the author is engaging with Einstein's theories.

Google's division of the page into tiny snippets is designed to show the searcher just enough context surrounding the searched term to help her evaluate whether the book falls within the scope of her interest (without revealing so much as to threaten the author's copyright interests). Snippet view thus adds importantly to the highly transformative purpose of identifying books of interest to the searcher. With respect to the first factor test, it favors a finding of fair use (unless the value of its transformative purpose is overcome by its providing text in a manner that offers a competing substitute for Plaintiffs' books, which we discuss under factors three and four below).

(4) *Google's Commercial Motivation*. Plaintiffs also contend that Google's commercial motivation weighs in their favor under the first factor. Google's commercial motivation distinguishes this case from *HathiTrust*, as the defendant in that case was a non-profit entity founded by, and acting as the representative of, libraries. Although Google has no revenues flowing

directly from its operation of the Google Books functions, Plaintiffs stress that Google is profit-motivated and seeks to use its dominance of book search to fortify its overall dominance of the Internet search market, and that thereby Google indirectly reaps profits from the Google Books functions.

* * *

Our court has since repeatedly rejected the contention that commercial motivation should outweigh a convincing transformative purpose and absence of significant substitutive competition with the original. See *Cariou v. Prince*, 714 F.3d 694, 708 (2d Cir.2013), *cert. denied*, --- U.S. ----, 134 S.Ct. 618, 187 L.Ed.2d 411 (2013).

* * *

While we recognize that in some circumstances, a commercial motivation on the part of the secondary user will weigh against her, especially, as the Supreme Court suggested, when a persuasive transformative purpose is lacking, *Campbell*, 510 U.S. at 579, 114 S.Ct. 1164, we see no reason in this case why Google's overall profit motivation should prevail as a reason for denying fair use over its highly convincing transformative purpose, together with the absence of significant substitutive competition, as reasons for granting fair use. Many of the most universally accepted forms of fair use, such as news reporting and commentary, quotation in historical or analytic books, reviews of books, and performances, as well as parody, are all normally done commercially for profit.

B. Factor Two

The second fair use factor directs consideration of the "nature of the copyrighted work." While the "transformative purpose" inquiry discussed above is conventionally treated as a part of first factor analysis, it inevitably involves the second factor as well. One cannot assess whether the copying work has an objective that differs from the original without considering both works, and their respective objectives.

The second factor has rarely played a significant role in the determination of a fair use dispute. * * * In considering the second factor in *HathiTrust*, we concluded that it was "not dispositive," 755 F.3d at 98, commenting that courts have hardly ever found that the second factor in isolation played a large role in explaining a fair use decision. The same is true here. While each of the three Plaintiffs' books in this case is factual, we do not consider that

as a boost to Google’s claim of fair use. If one (or all) of the plaintiff works were fiction, we do not think that would change in any way our appraisal. Nothing in this case influences us one way or the other with respect to the second factor considered in isolation. To the extent that the “nature” of the original copyrighted work necessarily combines with the “purpose and character” of the secondary work to permit assessment of whether the secondary work uses the original in a “transformative” manner, as the term is used in *Campbell*, the second factor favors fair use not because Plaintiffs’ works are factual, but because the secondary use transformatively provides valuable information about the original, rather than replicating protected expression in a manner that provides a meaningful substitute for the original.

C. Factor Three

The third statutory factor instructs us to consider “the amount and substantiality of the portion used in relation to the copyrighted work as a whole.” The clear implication of the third factor is that a finding of fair use is more likely when small amounts, or less important passages, are copied than when the copying is extensive, or encompasses the most important parts of the original. The obvious reason for this lies in the relationship between the third and the fourth factors. The larger the amount, or the more important the part, of the original that is copied, the greater the likelihood that the secondary work might serve as an effectively competing substitute for the original, and might therefore diminish the original rights holder’s sales and profits.

(1) *Search Function*. The Google Books program has made a digital copy of the entirety of each of Plaintiffs’ books.

* * *

In *HathiTrust*, our court concluded in its discussion of the third factor that “[b]ecause it was reasonably necessary for the [HathiTrust Digital Library] to make use of the entirety of the works in order to enable the full-text search function, we do not believe the copying was excessive.” 755 F.3d at 98. As with *HathiTrust*, not only is the copying of the totality of the original reasonably appropriate to Google’s transformative purpose, it is literally necessary to achieve that purpose. If Google copied less than the totality of the originals, its search function could not advise searchers reliably whether their searched term appears in a book (or how many times).

While Google *makes* an unauthorized digital copy of the entire book, it does

not reveal that digital copy to the public. The copy is made to enable the search functions to reveal limited, important information about the books. With respect to the search function, Google satisfies the third factor test, as illuminated by the Supreme Court in *Campbell*.

(2) *Snippet View*. Google's provision of snippet view makes our third factor inquiry different from that inquiry in *HathiTrust*. What matters in such cases is not so much "the amount and substantiality of the portion used" in making a copy, but rather the amount and substantiality of *what is thereby made accessible* to a public for which it may serve as a competing substitute. In *HathiTrust*, notwithstanding the defendant's full-text copying, the search function revealed virtually nothing of the text of the originals to the public. Here, through the snippet view, more is revealed to searchers than in *HathiTrust*.

Without doubt, enabling searchers to see portions of the copied texts could have determinative effect on the fair use analysis. The larger the quantity of the copyrighted text the searcher can see and the more control the searcher can exercise over what part of the text she sees, the greater the likelihood that those revelations could serve her as an effective, free substitute for the purchase of the plaintiff's book. We nonetheless conclude that, at least as presently structured by Google, the snippet view does not reveal matter that offers the marketplace a significantly competing substitute for the copyrighted work.

Google has constructed the snippet feature in a manner that substantially protects against its serving as an effectively competing substitute for Plaintiffs' books. In the Background section of this opinion, we describe a variety of limitations Google imposes on the snippet function. These include the small size of the snippets (normally one eighth of a page), the blacklisting of one snippet per page and of one page in every ten, the fact that no more than three snippets are shown—and no more than one per page—for each term searched, and the fact that the same snippets are shown for a searched term no matter how many times, or from how many different computers, the term is searched. In addition, Google does not provide snippet view for types of books, such as dictionaries and cookbooks, for which viewing a small segment is likely to satisfy the searcher's need. The result of these restrictions is, so far as the record demonstrates, that a searcher cannot succeed, even after long extended effort to multiply what can be revealed, in revealing through a snippet search what could usefully serve as a competing substitute for the original.

The blacklisting, which permanently blocks about 22% of a book's text from snippet view, is by no means the most important of the obstacles Google has designed. While it is true that the blacklisting of 22% leaves 78% of a book *theoretically* accessible to a searcher, it does not follow that any large part of that 78% is in fact accessible. The other restrictions built into the program work together to ensure that, even after protracted effort over a substantial period of time, only small and randomly scattered portions of a book will be accessible. In an effort to show what large portions of text searchers can read through persistently augmented snippet searches, Plaintiffs' counsel employed researchers over a period of weeks to do multiple word searches on Plaintiffs' books. In no case were they able to access as much as 16% of the text, and the snippets collected were usually not sequential but scattered randomly throughout the book. Because Google's snippets are arbitrarily and uniformly divided by lines of text, and not by complete sentences, paragraphs, or any measure dictated by content, a searcher would have great difficulty constructing a search so as to provide any extensive information about the book's use of that term. As snippet view never reveals more than one snippet per page in response to repeated searches for the same term, it is at least difficult, and often impossible, for a searcher to gain access to more than a single snippet's worth of an extended, continuous discussion of the term.

* * *

The fragmentary and scattered nature of the snippets revealed, even after a determined, assiduous, time-consuming search, results in a revelation that is not "substantial," even if it includes an aggregate 16% of the text of the book. If snippet view could be used to reveal a coherent block amounting to 16% of a book, that would raise a very different question beyond the scope of our inquiry.

D. Factor Four

The fourth fair use factor. . . focuses on whether the copy brings to the marketplace a competing substitute for the original, or its derivative, so as to deprive the rights holder of significant revenues because of the likelihood that potential purchasers may opt to acquire the copy in preference to the original. Because copyright is a commercial doctrine whose objective is to stimulate creativity among potential authors by enabling them to earn money from their creations, the fourth factor is of great importance in making a fair use assessment. See *Harper & Row*, 471 U.S. at 566, 105 S.Ct. 2218 (describing the fourth factor as "undoubtedly the single most important element of fair use").

Campbell stressed the close linkage between the first and fourth factors, in that the more the copying is done to achieve a purpose that differs from the purpose of the original, the less likely it is that the copy will serve as a satisfactory substitute for the original. 510 U.S. at 591, 114 S.Ct. 1164. Consistent with that observation, the *HathiTrust* court found that the fourth factor favored the defendant and supported a finding of fair use because the ability to search the text of the book to determine whether it includes selected words “does not serve as a substitute for the books that are being searched.” 755 F.3d at 100.

However, *Campbell* ‘s observation as to the likelihood of a secondary use serving as an effective substitute goes only so far. Even if the *purpose* of the copying is for a valuably transformative purpose, such copying might nonetheless harm the value of the copyrighted original if done in a manner that results in widespread revelation of sufficiently significant portions of the original as to make available a significantly competing substitute. The question for us is whether snippet view, notwithstanding its transformative purpose, does that. We conclude that, at least as snippet view is presently constructed, it does not.

Especially in view of the fact that the normal purchase price of a book is relatively low in relation to the cost of manpower needed to secure an arbitrary assortment of randomly scattered snippets, we conclude that the snippet function does not give searchers access to effectively competing substitutes. Snippet view, at best and after a large commitment of manpower, produces discontinuous, tiny fragments, amounting in the aggregate to no more than 16% of a book. This does not threaten the rights holders with any significant harm to the value of their copyrights or diminish their harvest of copyright revenue.

* * *

Even if the snippet reveals some authorial expression, because of the brevity of a single snippet and the cumbersome, disjointed, and incomplete nature of the aggregation of snippets made available through snippet view, we think it would be a rare case in which the searcher’s interest in the *protected aspect* of the author’s work would be satisfied by what is available from snippet view, and rarer still—because of the cumbersome, disjointed, and incomplete nature of the aggregation of snippets made available through snippet view—that snippet view could provide a significant substitute for the purchase of the author’s book.

Accordingly, considering the four fair use factors in light of the goals of copyright, we conclude that Google's making of a complete digital copy of Plaintiffs' works for the purpose of providing the public with its search and snippet view functions (at least as snippet view is presently designed) is a fair use and does not infringe Plaintiffs' copyrights in their books.

[The court also determined that Google Books did not violate the copyright owners' derivative work rights because Google Books is essentially a research tool on books and "Nothing in the statutory definition of a derivative work, or of the logic that underlies it, suggests that the author of an original work enjoys an exclusive derivative right to supply information about that work of the sort communicated by Google's search functions." The court also declined to find that plaintiffs' exposure to risks of hacking of Google's files was an appropriate ground for relief.]

In sum, we conclude that: (1) Google's unauthorized digitizing of copyright-protected works, creation of a search functionality, and display of snippets from those works are non-infringing fair uses. The purpose of the copying is highly transformative, the public display of text is limited, and the revelations do not provide a significant market substitute for the protected aspects of the originals. Google's commercial nature and profit motivation do not justify denial of fair use. (2) Google's provision of digitized copies to the libraries that supplied the books, on the understanding that the libraries will use the copies in a manner consistent with the copyright law, also does not constitute infringement. Nor, on this record, is Google a contributory infringer.

CONCLUSION

The judgment of the district court is **AFFIRMED**.

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Thanks for an enjoyable class.

END OF EXAMINATION MATERIALS
International Intellectual Property
Spring 2018/Professor Justin Hughes