

Second Circuit Finds Fair Use Doctrine Protects Digital Book Scanning from Copyright Infringement

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On June 10, 2014, the U.S. Court of Appeals for the Second Circuit issued a notable opinion on the contours of the copyright law's fair use doctrine in the digital era. (*Authors Guild, Inc. v. HathiTrust*, No. 12-4547-cv, 2014 WL 2576342 (2d Cir. June 10, 2014)).

In a unanimous 3-0 ruling, the court held that a digital repository's scanning of entire copyrighted works for purposes of creating a full-text searchable database constitutes a "transformative" use protecting defendants from liability for copyright infringement. The court further clarified the "market harm" factor of the fair use doctrine, as well as the requirements for associational standing in copyright actions.

What is HathiTrust?

In October 2008, thirteen universities announced plans to create a repository for digital copies of copyrighted and noncopyrighted books and other works. To this end, the universities founded HathiTrust, an organization which in turn operates the HathiTrust Digital Library (the HDL). Currently, there are at least 90 partners in HathiTrust, sharing a digital archive of more than 10 million books.

The HDL offers its digitized collection for three distinct purposes:

1. To permit the general public to search for particular terms across all digital copies in the repository. Importantly, for works still under copyright, this type of search yields only the number of times the term appears (and on what page), but does not display the actual text, or any images, of the underlying copyrighted work;
2. To provide patrons with certified print disabilities (e.g., blindness) access to the full text of copyrighted works using adaptive technologies, such as software that converts text into spoken word; and

3. To permit member libraries to create replacement copies of works already owned, but that are lost, destroyed, or stolen. The work also must not be obtainable elsewhere at a "fair" price.

The Lawsuit and District Court Opinion

In October 2011, twenty authors and authors' associations sued HathiTrust, among others, for copyright infringement. HathiTrust moved for partial judgment on the ground that the authors' associations lacked standing to assert claims on behalf of their members. HathiTrust also moved for summary judgment on the ground that the HDL's use of copyrighted works was protected under the fair use doctrine.

The district court granted both motions. First, it dismissed the Authors Guild and two other authors' associations from the suit due to lack of standing. Second, it held that the HDL's use of copyrighted works was sufficiently "transformative" to warrant fair use protection.

With respect to transformative use, the district court notably opined that it could not "imagine a definition of fair use that ... would require [it to] terminate this invaluable contribution to the progress of science and cultivation of the arts." While *dicta*, this statement deviated from prior opinions on controlling fair use principles, which principles do not consider the "value" of a defendant's allegedly infringing use.

The Second Circuit Affirms the District Court

The HDL's Full-Text Search Constitutes Fair Use

The Second Circuit affirmed that the fair use doctrine permits HDL "to digitize copyrighted works for the purpose of permitting full-text searches."

In so concluding, the court focused on HDL's transformative use and the lack of cognizable market harm under the relevant fair use factors.[\[1\]](#)

A transformative use is one which does more than simply repackage an original work. The court found the HDL's digital repository "quintessentially transformative," in that the result of a word search sufficiently differs from the "purpose, character, expression, meaning, and message" of the copyrighted work itself. Put another way, there was no evidence that authors create works *for the purpose* of enabling text searches. Significantly, the Second Circuit rejected the district court's suggestion that a use may become transformative merely by making an "invaluable contribution to the progress of science and cultivation of the arts." Rather, as the court clarified, a use must serve a new and different function from the original work and may not be a substitute for the original. In addition, the court found it significant that the HDL does not allow users to actually view any portion of the copyrighted works they are searching.

Because transformative uses do not, by definition, "serve as substitutes for the original work," the court declined to find any market harm based on the HDL's use of copyrighted works. The court separately rejected plaintiffs' claim that full-text searching represented a "lost opportunity" to license copyrighted works for searching, on the grounds that full-text searching does not serve as a substitute for the books being searched. In a secondary, and novel, argument, the plaintiffs also asserted that the HDL depository creates a risk of a security breach that could result in irreparable harm to the authors should the system be hacked and the works released online. The court also rejected this theory, finding that the evidence suggested that the HDL took extensive data security measures and that a security breach was not likely to occur.

The HDL's Provisions for the Print-Disabled Constitute Fair Use

The Second Circuit additionally affirmed that the fair use doctrine permits the HDL to provide print-disabled patrons with the full text of copyrighted works in formats accessible to them using various assistive technologies. The court rejected the authors' argument that converting works into an accessible format merely creates a derivative work, finding that the U.S. Supreme Court already has determined that "[m]aking a copy of a copyrighted work for the convenience of a blind person is ... an example of fair use, with no suggestion that anything more than a purpose to entertain or inform need motivate the copying."

The Court Remands the "Replacement Copy" Issue

The Second Circuit vacated the district court's judgment regarding the fair use (or "preservation use") of the HDL's replacement copy program. The court concluded that the record on appeal "[did] not reflect the existence of a non-speculative risk that the HDL might create replacement copies of the *plaintiffs'* copyrighted work," and accordingly remanded to the district court for determination of whether plaintiffs had standing to challenge the HDL's preservation use.

The Authors Associations' Lack Standing

The Second Circuit upheld the district court's holding that three of the seven authors' associations lacked standing to assert infringement claims on behalf of their members. In particular, the court explained that Section 501 of the Copyright Act "does not permit copyright holders to choose third parties to bring suits on their behalf." The court's holding did not apply to the remaining four associations, whose right to assert claims were based on foreign law.

What's Next?

The *HathiTrust* opinion represents the latest chapter in an ever-increasing line of fair use cases involving digital preservation efforts and search-enabling technologies. While this copyright case involved a consortium of nonprofit libraries (a situation which differs from the equity considerations typically found in disputes involving commercial parties), the opinion's fair use analysis will be studied closely in future cases. The court's explanation and application of transformative use to full-text searching likely will inform the Second Circuit's anticipated decision in *The Authors Guild Inc. et al. v. Google, Inc.*, where defendant's Google Books service (unlike the HDL) *does* display snippets of text from the underlying copyrighted works in its search results.

We will keep our clients updated on these important issues as they develop.

[\[1\]](#) The fair use doctrine, codified in Section 107 of the Copyright Act, requires courts to weigh the following nonexclusive factors: (i) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (ii) the nature of the copyrighted work; (iii) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (iv) the effect on the use upon the potential market for or value of the copyrighted work.

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