10 years for Google Books and Europeana: copyright law lessons that the EU could learn from the USA
Rita Matulionyte*

ABSTRACT
Mass digitization projects that have been carried out by libraries and their commercial partners across the Atlantic, such as Google Books and Europeana, are celebrating their 10th birthdays. This article analyses what legal challenges they pose to the copyright law systems, and how the US and EU jurisdictions have responded to them. In particular, the article identifies certain elements in the US copyright law system that played an important role in encouraging the creation of innovative and value-added services in the library sector. These elements include the transformative use doctrine, the restrictive interpretation of the market harm criterion and the openness towards commercial reuse of works. It is then discussed whether, and how, these elements could be better integrated in the EU copyright law system in order to foster the European library and information technology sector.

KEYWORDS: Copyright law, copyright exceptions, libraries, Google Books, Europeana, fair use

INTRODUCTION: 10 YEARS FOR GOOGLE BOOKS AND EUROPEANA
With the emergence of new information and communication technologies, libraries, as one of the most important players in the information and knowledge society, also rushed to embrace new technological developments and modernize their services. They (again) followed the dream to create a library comprising worldwide materials. More than that, they expected new technologies would allow them to not only preserve their collections for the future (digital) generations, but also open them for easy access and use via the Internet to an unprecedented number of readers around

* Lecturer at Newcastle Law School, University of Newcastle (Australia), University Drive, Callaghan 2308 NSW, Australia; Associated Researcher at Law Institute of Lithuania, 39/1 Ankstoji g, Vilnius, Lithuania. Telephone: +61 2 4921 6218; Email: rita.matulionyte@newcastle.edu.au

the world. Libraries across the globe started massively digitizing their collections, either alone or with the active involvement of commercial partners. This article focuses upon two of the most significant mass digitization projects—the Google Books project in the USA and the Europeana project in Europe.

In 2004, Google announced partnerships with several libraries and started digitizing books, with the ultimate vision of digitizing and making available the entire human knowledge online. In 2010, 12 million books had been scanned, while in 2012 that number reached approximately 30 million, with digitization activities continuing. However, due to copyright restrictions, user can only access these immense collections of digitized materials to a very limited extent.

The Europeana project, as a counterpart to the Google initiative, was implemented by the European Commission in 2005. It intended not only to digitize European cultural heritage, but also to make it accessible online for the worldwide audience to enjoy, study, research, play and otherwise interact with it. Europeana currently has 2500 participating institutions that share their data and knowledge through Europeana. It also includes 33 million objects from hundreds of Europe’s best museums and libraries, making it the largest and most significant digital cultural collection in the world. In spite of this, it still only contains 10% of all European heritage. Most digitized works in the Europeana database belong to the public domain (ie works to which copyright has expired), while more recent works that are still protected by copyright (‘in-copyright’ works), and particularly those that are still available in trade channels (‘in-commerce’ works) are not available via Europeana at all. Further, Europeana is relatively unknown even among European audiences, and it is facing increasing financial sustainability issues.

The goal of this article is to compare how copyright law systems in the USA and the EU have responded to challenges posed by these mass digitization projects, and

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4 One part of the Google Books project is a Google Partner program, where books are licensed from the right holders and users can access certain parts of these books. Access is dependent upon the agreement with the right holder. Another aspect of the project is the Google Books Library Project, where books are digitized without the permission of the right holder and users only have limited access, either to short extracts of books (snippets) or simply to the title of the book. For more, see <https://www.google.com.au/googlebooks/>.
7 Only one-third of that (34%) is currently available online, and barely 3% of digitized material can be used for actual creative reuse (for example in social media, via APIs, for mash-ups, etc). See ‘Europeana Strategic Plan 2015-2020’, p 9, <http://strategy2020.europeana.eu/> accessed 6 November 2015.
9 The amount of funds that the European Commission is willing to inject into Europeana is decreasing significantly in the coming decade. See ‘Need to encourage?’ section.
whether there are lessons that the EU could learn to further facilitate the development of its library and information technology sectors. First, this article provides an overview of the legal developments initiated by these mass digitization projects in the USA and the EU, both at the legislative and judicial levels. Secondly, the article identifies three important features of the US copyright system that deserve special attention from the European lawyers: the transformative use doctrine, the special treatment of market harm and the active role of commercial parties in mass digitization projects. Finally, we discuss whether these elements of the US copyright system could be of use when amending the EU copyright system, in order to facilitate greater collaboration between the library and information technology sectors.

LEGAL DEVELOPMENTS IN THE USA AND THE EU

The dream of creating a worldwide library has not been easy to realize. Several issues such as technical problems (quality of copies, compatibility of formats and metadata exchange), financial sustainability and legal issues have created significant difficulty. The main legal concern that arises under both EU and US law is the general requirement that the digitization/reproduction of works, and their subsequent accessibility online, requires permission from the right holders. However, identifying the right holders and clearing the rights has proven to be a highly complex and expensive task. This, in turn, has made the realization of projects’ goals much slower, if not entirely impossible.

The following sections provide an overview of the legal challenges faced on both sides of the Atlantic by Google Books and Europeana, and how they have been addressed.

USA: how judges embraced mass digitization

In the USA, several mass digitization initiatives have been challenged in court. Court decisions have now created a certain legal framework in which Google and libraries can conduct their mass digitization projects. Legislators have also made attempts to improve the legal framework, but their efforts up to now have proved unsuccessful.

Case #1: Authors Guild v HathiTrust

Authors Guild v HathiTrust was the first case to be decided in relation to mass digitization projects. Since 2008, a number of non-profit institutions around the USA

11 It is especially problematic for publicly funded initiatives. However, Google has not yet found a sustainable business model to commercialize Google books either. For more, see ‘Need to encourage?’ section.
12 For a good, yet brief, overview of the challenges faced by libraries in the digital era, see Dame Lynne J Brindley, ‘Phoenixes in the Internet Era - the Changing Role of Libraries’ in Lionel Bently, Uma Suthersanen and Paul Torremans (eds), Global Copyright. Three Hundred Years since the Statute of Anne, from 1709 to Cyberspace (Edward Elgar 2010) 176–86. For further detail, see David P Baker and Wendy Evans, Digital Library Economics: An Academic Perspective (Chandos Publishing 2009).
13 Authors Guild v HathiTrust, 755 F3d 87 (2d Cir 2014).
14 However, this case commenced later than Google books. See discussion in ‘Case #2: Authors Guild v Google Books’ section.
have created a so-called HathiTrust Digital Library (HDL). HathiTrust permitted use of its database in three ways: users could search specific terms and they would get results on how many times these search terms appear in each page of a particular book (no snippets are provided); digitized books could be made accessible to people with reading disabilities; and libraries could make replacement copies from the digital database in case the book from their collection was lost or damaged and could not be acquired for a reasonable price elsewhere.

In 2011, the Authors Guild and a number of other right holders sued HathiTrust for copyright violation. In 2012, the District Court found fair use in respect of the main uses. In 2013, the Second Circuit Court largely upheld the decision and found that digitizing the books and making them searchable, as well as making them accessible for persons with reading disabilities, constituted fair use.

Libraries and commentators welcomed the decision. While only limited uses were confirmed as falling within the scope of fair use (digitization, indexing, search and access for by visually impaired), librarians indicated the ruling would have great positive implications. This court decision allowed digitization of entire library collections, indexing of works and the creation of a full-text searchable database. The court also permitted storing the digitized contents for preservation purposes. However, the court did not rule on whether any forms of access to the content should be available to anyone other than disabled persons. In any case, the HathiTrust ruling has been celebrated, as it reinforces preservation efforts, modernizes the pedagogy of education establishments, and facilitates better research.

**Case #2: Authors Guild v Google Books**
The case against Google itself started much earlier than the HathiTrust case, but is still awaiting its final outcome. In 2005, immediately after the Google Books project was initiated, a number of US and non-US right holders commenced a class action against Google. They claimed that the Google Books Library Project infringed copyrights when books were digitized without authorization, a searchable database was created and users could see snippets of books. The parties started negotiating the infamous Google Books Settlement. After a number of criticisms and editions, the proposed settlement was eventually rejected by the District Court, as it was deemed

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15 Authors Guild, Inc v HathiTrust, 902 FSupp 2d 445, 460–64 (SDNY 2012).
16 Authors Guild, Inc v HathiTrust, 755 F3d 87 (2d Cir 2014).
18 However, the court made no ruling in relation to the replacement of lost or damaged copies.
19 Some commentators read this construction of fair use in a broad way, and suggest the decision gives ‘a solid basis for providing full-text access to its digitized copies when the underlying purpose of providing the access is different from the author’s original purpose’. See Band (n 17) 5.
20 Diaz (n17) 702.
unfair, inadequate and unreasonable. Consequently, publishers, visual artists and photographers settled. However, the Authors’ Guild continued the fight.

In 2013, District Court Judge Chin ruled that the activities conducted by the Google Library project fell within the scope of fair use. The court applied the four-factor fair use test and found, despite its commercial goals, the use was highly transformative and beneficial to various groups in society, such as libraries, researchers and users. The court found that Google Books did not cause harm to right holders, but rather increased the awareness of books and enhanced book sales, which is in the interests of both authors and publishers. This decision was largely upheld by the Second Circuit. The Second Circuit followed the rationale adopted in the HathiTrust and confirmed that Google use was transformative, with snippets adding value to this transformative use. Although Google use was commercial, the court gave little weight to this feature of Google service.

The Google Books ruling faced significantly more controversy than the HathiTrust case. While some commentators strongly agreed with the application of the fair use in the Google books case, critics have highlighted a number of problems that the Google Book decision raises. They include commercial nature of Google’s activities, false interpretation of transformative use criteria, misunderstood impact of Google service on the right holders’ market and the incompatibility with the international three-step test rule. Generally, both critics and supporters of the Google Books decision seem to acknowledge that the decision heralded a ‘remarkable change in the application of fair use’ in the USA.

Legislative efforts

In addition to the court cases, the US government has been attempting to develop relevant legal solutions to the problems associated with mass digitization projects, with little success though. The government discussed two legislative proposals

24 Authors Guild, Inc v Google Inc 954 F Supp 2d 282 (SDNY 2013) 22.
28 Sookman (n 27) 506.
29 Sookman (n 27) 511.
30 Morris (n 27) 172.
regarding the digitization of orphan works, yet both initiatives eventually failed. Suggestions regarding the update of the exceptions relating to public libraries have also resulted in no legislative action. However, the political debate is continuing, and it is yet to be seen whether it leads to any tangible outcomes.

**EU: European Commission takes the initiative**

In the EU, legal developments in relation to mass digitization projects took another track. When Google started massively digitizing books, including books belonging to European right holders, it was initially challenged in the courts of several Member States. In France, Google lost its first legal battle. German publishers also sued Google, but later withdrew the claim. Simultaneously, the issue attracted the attention of the European Commission.

First, the European Commission considered the orphan works issue. In 2011, the Commission introduced a proposal for the directive regulating the use of orphan works, which was subsequently adopted. The impact of this directive on mass digitization projects is still to be seen. Secondly, under the co-ordination of the European Commission, the Memorandum of Understanding (MOU) on the digitization and

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34 In 2009, the French court prohibited the scanning of copyrighted books published in France, holding that it violated copyright laws. Google was ordered to pay €300,000 in damage damages, plus interest and a further €10,000 per day until the publishers’ books were removed from the database. See Gaelle Faure, 'French court shuts down Google Books project' Los Angeles Times (19 December 2009); Editions du Seuil and Others v Google Inc and Google France, Tribunal de grande instance de Paris 3ème chambre, 2ème section Jugement du 18 décembre 2009, see also Agnes Lucas-Schloeter, 'Digital Libraries and Copyright Issues: Digitization of Contents and the Economic Rights of the Authors’ in Tatiana-Helen Synodinou, Sarantos Kapidakis and Ioannis Iglezakis (eds), E-publishing and Digital Libraries: Legal and Organizational Issues (Information Science Reference 2011) Hershey, PA, 159–79, 167–68.
35 They were arguably advised by the Copyright Chamber of the regional court of Hamburg that Google’s use of snippets does not violate German law. Further, as the digitization takes place in USA, it is therefore not subject to German copyright law. See Danny Sullivan, 'Google Book Search Wins Victory in German Challenge' (blog) (Search Engine Watch, 28 June 2006) accessed 6 November 2015.
making available of out-of-commerce works\textsuperscript{37} (2011)\textsuperscript{38} was adopted by the stakeholders. Also, the Commission is currently examining the possibility of reviewing certain copyright exceptions, including library exceptions.\textsuperscript{39}

In addition, in its recent Darmstadt decision,\textsuperscript{40} the Court of Justice of the European Union (CJEU) has found that the exception permitting libraries to make works accessible via on-site terminals\textsuperscript{41} also allowed libraries to digitize works for this purpose as well as to enable users to make a copy of such a digital work. As a result, the decision serves as a first step in enabling large digitization projects and reinforcing certain access to digitized library collections.

IS THERE ANYTHING THAT THE EU CAN LEARN FROM THE USA?

When comparing the legal developments outlined above, the EU can be proud of several important achievements. First, it has developed an orphan works solution—namely, a copyright exception allowing libraries to digitize orphan works after a diligent search has been introduced. Secondly, the MOU has provided guidelines on how Member States should deal with out-of-commerce works in digitization projects.\textsuperscript{42} Digitization of orphan works and licensing mechanisms for out-of-commerce works remain unsolved issues in the USA.

At the same time, the recent US court decisions in HathiTrust and Google Books have expanded US libraries’ and their partners’ rights far beyond what is allowed in the EU. As a result of a flexible interpretation of the fair use doctrine, US libraries are now allowed to digitize works on a large scale. They can use these digital copies for preservation purposes, for non-textual uses, such as indexing of works and the creation of searchable databases. They can provide open public access to small extracts of works, known as ‘snippets’. Last but not least, these uses can be carried out both by non-profit public libraries and private commercial parties, such as Google.

The next question is what Europe could learn from this US experience. The first idea that comes to mind when reading US court decisions on digital libraries is that

\textsuperscript{37} Out-of-commerce works are works that are still protected by copyright, but are not available via ordinary channels of commerce.


\textsuperscript{40} Case C-117/13 Technische Universita¨t Darmstadt v Eugen Ulmer KG [2014] ECDR 23.


\textsuperscript{42} Interestingly, the extended collective licensing mechanism, as suggested by the MOU, is similar to the opt-out mechanism suggested in the Google Books settlement. However, the former is based on legislation rather than an arrangement between private parties.
Europe needs more flexible exceptions, such as fair use.\textsuperscript{43} Despite a number of arguments for and against it, there seems to be a consensus that fair use could not be introduced at the EU level in the near future.\textsuperscript{44} As a result, alternative methods of injecting some flexibility into the EU copyright system have been discussed, both at the legislative and judicial levels.\textsuperscript{45} The goal of this section is to contribute to this discussion on copyright exceptions in Europe.

The following sections will focus on three issues. First, the transformative use doctrine has proven to be the driving force in permitting certain innovative and value-added uses in the USA. Thus, the first section will discuss whether there is a need and a means of integrating this doctrine, at least to a certain extent, into the EU copyright system. Secondly, market harm in the form of the three-step test has played the most significant role in determining exceptions in the EU, while its importance in the overall fair use analysis has been decreasing in the USA. In the second section, we will ask whether the US’s interpretation of market harm could serve as an example for transforming the interpretation of the three-step test in the EU. Thirdly, it will be discussed whether certain value-added commercial uses, as permitted under the US fair use doctrine, could also be encouraged and implemented under the EU copyright system.

**Transformative use**

The transformative use doctrine has been focused upon heavily in current US court practice. Essentially, both HathiTrust and Google were successful in their respective cases as the relevant uses were recognized as being highly transformative. The transformative use doctrine has helped the US copyright system make way for innovative

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\textsuperscript{44} See similar discussion in Aufderheide and Jaszi (n 43) 94–100; Hargreaves (n 43) 45.

and value-added uses of existing copyright works. Thus, after a brief overview of
the meaning and development of this doctrine in the USA, the following sections
will identify its current role in the EU and discuss ways in which this doctrine could be
further integrated when developing new exceptions for libraries in the EU.

Transformative use in the USA
In the USA, the transformative use doctrine forms a part of the fair use defence. According to section 107 of the US Copyright Act, in order to determine whether a particular use constitutes fair use, the courts have to evaluate: (i) the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit 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 of the use upon the potential market for or value of the copyrighted work. Transformative use doctrine grew out of the first factor and was initially known as ‘productive use’.

Transformative use played a limited role in the fair use test for a long time. Following Judge Leval’s famous article, ‘Toward a Fair Use Standard’, transformative use started to gain newfound importance in court practice. In the famous Campbell case, transformative use was defined as one in which the purpose of the use is different from the purpose for which the copyrighted work was originally created. The central purpose of the investigation is to see whether the new work merely ‘supersedes’ the objects of the original creation, ‘supplants’ the original, or instead adds something new, with a further purpose or different character, thus modifying the initial work due to a new expression, meaning or message. Therefore, it asks whether, and to what extent, the new work is ‘transformative’.

Initially, transformative use was designed to cover the use of works in parody, as a part of quotation, and other similar uses. Subsequent appellate court decisions have expanded the scope of transformative uses to include using the works in entirely new contexts. This approach thus privileges uses that supersede the scope of the original expression, while keeping mostly within the context of the commentary surrounding the original work. For example, courts have deemed the indexing of copyrighted works by search engines to be transformative.

A further step in the development of the transformative use doctrine has arisen from the cases regarding mass digitization projects. In the HathiTrust and Google

46 For an introduction of the concept of the transformative use, see Maurizio Borghi and Stavroula Karapapa, ‘Technological Transformative Use’ in Borghi and Karapapa (n 23) 1–30, 22–23.
47 17 USC § 107.
48 Morris (n 27) 190.
50 For example, see Campbell v Acuff-rose Music, Inc 510 US 569 (1994) (parody as a transformative use); Holfanz v A&E Television Networks, Inc 146 F Supp 2d 442 (small extracts used in documentary is fair use); Kelly v Arriba Soft Corp 336 F3d 811 (9th Cir 2003) (reference use of copyrighted images is transformative). For a brief summary of how the transformative use criterion developed, see Aufderheide and Jaszi (n 43) 82–93.
51 Campbell, 510 US 569, 579.
52 Campbell, 510 US 569, 578–79.
53 Kelly v Arriba Soft Corp 336 F3d 811 (9th Cir 2003).
Books cases, the Second Circuit Court found that a full-text searchable database is quintessentially transformative use, as the result of a word search is different in purpose, character, expression, meaning, and message from the page, and book, from which it is drawn. According to the court, there is ‘little or no resemblance between the original text and the results of the HDL full-text search’. Further, ‘there is no evidence that the Authors write with the purpose of enabling text searches of their books. Consequently, the full-text search function does not supersede the objects or purposes of the original creation’. The same rationale was adopted in the Google Books case.

This short overview demonstrates that the transformative use doctrine is quite flexible, and its content is able to adapt to the emergence of new technologies. Still, the purpose of the transformative use doctrine remains the same—namely, to enable innovative and productive uses of existing works that do not supersede the objects or purposes of the original creation.

Rationale and importance of the transformative use doctrine
We will now discuss why the transformative use doctrine is of such significance that it needs to be promoted in the EU as well.

The transformative use doctrine is based on a sound rationale. As Neval describes:

The use must be productive and must employ the [original work] in a different manner or for a different purpose than the original . . . . If . . . the secondary use adds value to the original — if the quoted matter is used as raw material, transformed in the creation of new information, new aesthetics, new insights and understandings — this is the very type of activity that the fair use doctrine intends to protect for the enrichment of society.

Thus, the rationale of the transformative use doctrine is to promote creativity and innovation through the use of existing creative works. It has proven to be especially useful in relation to the reuse of existing works, particularly in the context of new information technologies and the promotion of innovation in this field. For instance, the functioning of search engines and linking was considered to be transformative use. These technologies facilitate access to information and information flows in the knowledge society. Furthermore, the transformative use doctrine has been applied to promote information technologies that serve both educational and research purposes. For instance, using student papers in the Turnitin system has been considered to be transformative and, consequently, a fair use. Under the same doctrine, US courts permitted the online streaming of licensed DVDs for educational purposes.

54 Authors Guild v Hathitrust, 755 F3d 87, 18.
55 However, it is not as clear and readily foreseeable as one may expect. For a more critical approach, see Sookman (n 27) 497.
56 Leval (n 49) 1111.
57 See Perfect 10, Inc v Amazon.com, Inc, 508 F3d 1146 (9th Cir 2007); Diaz (n 17) 695–96.
58 AV v iParadigms, INC 562 F3D 630 (4th Cir 2009).
use by students.\textsuperscript{59} Also, as has been seen above, the comprehensive full-text searchable databases that have been allowed under fair use create clear benefits, not only for the educational and research sectors, but also to society at large. Both courts and commentators alike agree that the use of works in the creation of such databases is also beneficial for publishers and authors, as users are then able to learn about the books and subsequently purchase them.\textsuperscript{60}

An interesting aspect of the transformative use doctrine is that it enables creativity and innovation through the application of copyright exceptions. In the EU, legislators often seem to assume that creativity and innovation are encouraged by granting increasingly broad and exclusive rights to creators and industries.\textsuperscript{61} In contrast, exceptions are merely intended to permit certain free consumption of creative works.\textsuperscript{62} The transformative use doctrine demonstrates that certain reuses of existing copyrighted material may be equally creative and innovative, and thus have the potential to lead to significant public benefits. In order to encourage such innovative and value-added reuse, it could be permitted in certain cases without prior permission from the right holders.

Additionally, some authors have argued that, in the information and communication sector where the information flows are constantly increasing, there is a definite need to encourage the innovative value-added services of information aggregation and search. These services allow users to find the data they need quickly and easily in the ‘ocean of information’. Such innovation should not be hampered by exclusive rights to original works. Permitting certain free reuses of pre-existing works provides the opportunity to create innovative and value-added information and communication technologies. Further, such reuses would increase competition in the information and communication markets, and improve the quality of information technology services.\textsuperscript{63} It is important to note that such innovation in the information and communication market is highly significant with regard to the development of knowledge and the information society. This sector also provides access to information that is vital to the development of the educational and research sectors, which are treated with special care by the EU legislator.\textsuperscript{64} Therefore, the transformative use doctrine has proved to be a useful tool in the USA for enabling and encouraging innovation in these important sectors.

\textsuperscript{59} Assn for Info Media & Equip v Regents of the University of California, No CV 10-9378 CBM (MANx) (CD Cal 3 October 2011).


\textsuperscript{61} See the Information Society Directive, recital 4 (‘... providing for a high level of protection of intellectual property, will foster substantial investment in creativity and innovation, including network infrastructure, and lead in turn to growth and increased competitiveness of European industry, both in the area of content provision and information technology and more generally across a wide range of industrial and cultural sectors.’)


\textsuperscript{63} For more information, see Thomas Dreier, ‘Regulating Competition by Way of Copyright Limitations and Exceptions’ in Paul Torremans (ed), Copyright Law: A Handbook of Contemporary Research (Edward Elgar 2008) 232.

\textsuperscript{64} See Information Society Directive, recital 14.
Transformative use doctrine in Europe

While Europe has failed to unanimously adopt the concept of transformative use, the rationale underlying the doctrine is not entirely new here. Transformative uses of works that were initially covered by fair use in the USA, such as news, parody or quotations, are subject to clear-cut exceptions under the EU law.\(^{65}\) The CJEU has also tried to exercise more flexibility with regard to new information technologies and their innovative uses of works for research, education and information purposes.\(^{66}\) For instance, in the abovementioned Darmstadt case, the CJEU construed the on-site consultation exception in a flexible manner, permitting libraries to digitize works and make them accessible via on-site terminals, even if the right holder offers to licence them.\(^{67}\) Courts of some Member States have also been searching for more flexible solutions in order to support new uses that are of public benefit.\(^{68}\)

European commentators have encouraged the introduction of copyright exceptions for creative and value-added services.\(^{69}\) The concept of ‘transformative use’ itself has been adopted by some European commentators.\(^{70}\) For instance, Gowers suggests introducing an exception for creative, transformative or derivative works at the EU level, within the parameters of the three-step test.\(^{71}\) The objective of creating such an exception would be to favour innovative uses of works, and to stimulate the production of value-added services.\(^{72}\)

At EU-policy level, the need to discuss transformative uses was mentioned in the recent European Parliament Resolution on the harmonization of certain aspects of copyright and related rights.\(^{73}\) Also, the EU has been recently discussing two possible copyright exceptions relating to transformative uses: an exception for user generated

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65 See Information Society directive, art 5.
66 For example, the CJEU found that hyperlinking does not fall within the scope of exclusive rights, see Case 466/12 Nils Svensson and Others v Retriever Sverige AB, ECR [2014] 00000, Case 348/13 Bestwater International v Michael Mebes and Stefan Potsch.
67 C-117/13 Darmstadt.
68 For instance, in a Paperboy case, the German court recognized that hyperlinking is a value-added service. See BGH I ZR 259/00 Paperboy.
69 See Dreier (n 63) 251–54 (argues that exceptions should be applied by taking into account the value-added and transformative nature of the information services); European Copyright Society, ‘Opinion on the Judgment of the CJEU in Case C-201/13 Deckmyn – Limitations and exceptions as key elements of the legal framework for copyright in the European Union’, p 2 note 3 <www.create.ac.uk> accessed 6 November 2015 (copyright exceptions should promote ‘creative uses’).
72 ibid.
content (UGC)\textsuperscript{74} and an exception for text and data mining (TDM).\textsuperscript{75} Since the TDM exception is more relevant for the work of libraries,\textsuperscript{76} it will be addressed in more detail here.

Preliminary suggestions indicate the TDM exception could allow computational data analysis for the purposes of non-commercial research.\textsuperscript{77} Such an exception should generally be encouraged.\textsuperscript{78} Transforming expressive works into searchable data creates significant public benefits, as well as new potential for the businesses and research communities.\textsuperscript{79} For instance, TDM results may be used to feed search engine algorithms and improve web services, including advertisements and content personalization. They may also be used as a ‘cultural genome’ to quantify cultural trends over centuries and across languages, as repositories of ‘key ideas’ to be extracted through data mining, as data containers to be mined for the purpose of refining search engine algorithms, or for statistical machine translation.\textsuperscript{80}

However, the exception in its current form\textsuperscript{81} is rather narrow. It only allows researchers to carry out data mining in pre-existing databases, and only for non-commercial research purposes. The US decisions of HathiTrust and Google Books, as analysed above, not only allowed for data mining, but also permitted the creation of new searchable databases by digitizing and indexing pre-existing copyright works. Further, in the USA, both non-commercial libraries (as a result of HathiTrust) and commercial entities (as a result of the Google Books case) may undertake the creation of these databases. No restrictions have been placed upon the use of such databases. While the databases may be used for non-commercial research purposes, commercial use has not been excluded.\textsuperscript{82} Thus, it is worth considering whether the EU should implement broader copyright exceptions for libraries that support a wider range of transformative uses.


\textsuperscript{76} Researchers would often carry out TDM in databases accessed via libraries.

\textsuperscript{77} De Wolf (n 75) 116; a similar exception has been recently enacted in Copyright, Designs and Patents Act (UK), s 29A.

\textsuperscript{78} See eg Martin Kretschmer and others, ‘The European Commission’s Public Consultation on the Review of EU Copyright Rules: A Response by the CREATe Centre’ (2014) 36(9) EIPR 547–53, 550–51.

\textsuperscript{79} Samuelson 2011 (n 21) 718.

\textsuperscript{80} Borghi and Karapapa (n 46) 15.

\textsuperscript{81} See, eg, De Wolf (n 75).

\textsuperscript{82} See, eg, Google has not been prevented from using the Google Books database for commercial TDM activities.
Transformative use and libraries: enabling full-text digital search

One way to expand the transformative use doctrine in the EU is to follow the recent US court practice and allow European libraries to create full-text searchable databases, thus enabling users to search and identify materials they need. In order to achieve this, libraries would have to digitize their collections, index them and create a searchable database. As a result, users would be able to search the database for relevant sources. The search would also provide other information, including where the search term appears in the document and how frequently it was used. However, under this exception, users would not be able to access or download the full text. In order to gain unlimited access to the text, users are required to consult the printed book itself.

Several arguments exist in favour of such an exception. Using the US terminology, the creation of a searchable full-text database is a transformative use of pre-existing copyright material. By digitizing copyrighted works for the purpose of creating a searchable database, the texts are transformed into searchable data—they are no longer used for their main purpose. Rather, the works are appropriated as data, which facilitates the identification of the relevant text or information. As the US courts have concluded, such use does not ‘supersede’ the original works or their purposes.

Despite using different terminology, European authors have raised similar arguments in relation to this issue. Some commentators suggest distinguishing between expressive or consumptive uses, such as reproduction for further distribution of texts, and non-expressive or non-consumptive uses, such as reproduction merely for the purpose of enabling searching of the text. Based on this analysis, the authors argue that exclusive rights should not cover the latter non-expressive or non-consumptive uses.

Further, another important distinction could be made between activities that are directed at providing access, and activities that are merely supportive or ancillary to access. Some EU Member State courts have supported this approach to access, holding that permission is not required for the compilation of indexes or metadata that enable or facilitate the retrieval of works. Searching the contents of works has never fallen within the scope of copyright, and this rule should not be altered simply because of a change in format. Similarly, the reproduction of works for the purpose of enabling digital searches is an ancillary use that should be permitted. The CJEU seems to support this argument. They held that, if an ancillary reproduction is

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83 This could be done by simply providing the source, page number and frequency of a search word in a document (HathiTrust model), or by showing relevant snippets of the texts (Google Books model).

84 Alternatively, libraries and users could rely on other copyright exceptions, such as an exception for on-site consultation in libraries. See the Information Society Directive, art 5(3)(n).


86 Hargreaves supported such uses by arguing: ‘This is not about overriding the aim of copyright – these uses do not compete with the normal exploitation of the work itself – indeed, they may facilitate it. Nor is copyright intended to restrict use of facts. That these new uses happen to fall within the scope of copyright regulation is essentially a side effect of how copyright has been defined, rather than being directly relevant to what copyright is supposed to protect,’ see Hargreaves report (n 43) 47.

87 Le Monde v Microfor, Cour de Cassation, 30 October 1987, 86-11918.

88 Borghi and Karapapa (n 46) 14.
necessary to enable online access, this reproduction should be allowed as it facilitates legitimate on-site access of works in libraries.\(^8^9\)

Furthermore, the creation of full-text searchable databases in European libraries would undoubtedly lead to significant benefits for researchers, the libraries themselves, and European society in general. Researchers and users would be provided with improved digital search opportunities, as they would be able to identify relevant information quickly and easily, instead of spending copious amounts of time consulting numerous physical copies of the texts.\(^9^0\) By taking advantage of current information technologies, libraries could perform their functions far more efficiently. The proposed exception would also allow European libraries to keep pace with the US libraries that, as a result of recent US court decisions, stand in a better position.\(^9^1\) If full-text searching were permitted online, as opposed to merely on-site searching, this would strengthen the role of European public libraries in the European information research market, a market that currently appears to be dominated by Google. Such services would also contribute to the promotion of cultural diversity in the EU. A majority of researchers currently utilize Google services when conducting research online. However, these services largely provide access to Anglo-Saxon content. If European libraries enabled online searches of their national digitized materials, researchers would not only be able to access materials in different European languages, but also sources that originate from a variety of EU Member States.\(^9^2\)

Finally, when arguing in favour of a new copyright exception, we need to analyse whether such an exception would cause unreasonable harm to the right holders. To use the European terminology, we must question whether it would meet the requirements of the three-step test. This will be the focus of the following section.

In the interim, we may conclude that the transformative use doctrine has significant potential, as it encourages innovative value-added services. To a certain extent, it has already been fulfilling a certain role in Europe. Further integration of the doctrine into the European copyright system should be encouraged. One way to encourage transformative and value-added services in the library and information sector, thus allowing libraries in the EU to catch up with their US counterparts, is to allow libraries to fully digitize entire collections for the purpose of creating full-text searchable databases.

**Market harm**

*US courts: do not worry too much about harm*

Another highly important element of the US fair use doctrine is market effect. According to section 107(4) of the Copyright Act, courts must take into account ‘the effect of the use upon the potential market for or value of the copyrighted work’
when applying the fair use doctrine. Thus, in order to constitute fair use, the use must not cause excessive damage to the market for the original work by providing the public with an available substitute.

Several aspects of the US market effect factor should be highlighted. Obviously, market effect is not the only criterion that is referenced when determining whether the use qualifies as fair. Other fair use factors, particularly the transformative nature of the use, are also taken into account. All of these factors are weighed against each other, and no factor has a strictly predetermined value in this equation. Therefore, even if a court finds that certain actual or potential market harm has been caused by the use, the fair use defence will not automatically be rejected. If other factors work in favour of fair use, it can still be established. The market harm factor used to be the single most important element of fair use. However, after the Campbell decision, its importance has decreased.

Secondly, the definition of market harm in the USA seems to be rather narrow, especially in the court decisions analysed above. In both HathiTrust and Google Books cases, the Second Circuit explained that the market harm analysis is concerned with only one type of economic injury to a copyright holder—the harm that results from the secondary use serving as a substitute for the original work. A searchable database, such as HathiTrust Library or Google Books Library, does not serve as a substitute for original works. Thus, the loss of potential licensing fees that right holders could arguably receive for the use of their works in such a database does not qualify as harm under the fair use doctrine. Furthermore, the court highlighted that, even if a licensing market for the contested uses exists (eg in case of uses for disabled persons) but it is very insignificant, it does not count as sufficient harm to the market of the original work. In addition, Judge Chin highlighted the positive effects of the Google Books project on right holders. The court found that the Google Books project increased the notoriety of borrowed works, thereby encouraging both book sales and profits. Thus, rather than merely focusing upon the harmful effects of the use, the court also considered the positive effects of the project.

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93 17 USC § 107(4).
95 See Sookman (n 27) 505.
96 Campbell 510 US 569.
97 Sookman (n 27) 505. Some US commentators have welcomed such developments See Rogers (n 26); Costantino (n 26); Diaz (n 17) 707–10; others have criticized the reduced prominence of the market impact factor, see Kimbrough (n 94) 633 (‘the impact on the market is still the most central factor to protecting a person’s copyrighted material’).
98 HathiTrust, 755 F3d 87, 23–24.
99 ibid (‘It is undisputed that the present-day market for books accessible to the handicapped is so insignificant that “it is common practice in the publishing industry for authors to forgo royalties that are generated through the sale of books manufactured in specialized formats for the blind . . .”’ (citations omitted)).
100 Authors Guild, Inc v Google Inc 954 F Supp 2d 282, 25; Morris (n 27) 191.
101 Fagundes (n 94) 368 (promotes a similar ‘net effects’ approach).
In summary, under the US fair use doctrine, the importance of the market harm factor has been decreasing. Recently, it has been construed narrowly to only cover those uses that serve as a replacement of the original work.

**European approach: all that counts is harm?**

In the EU, the ‘harm’ criterion constitutes a significant part in the three-step test. The three-step test has been transposed from international law into European copyright law. It requires copyright exceptions to be applied in certain special cases which do not conflict with a normal exploitation of the work or other subject-matter and do not unreasonably prejudice the legitimate interests of the right holder. While the first step restricts the application of exceptions to ‘certain special cases’, the remaining two steps essentially deal with harm to the right holder—namely, the use will not be permitted if it ‘conflicts with a normal exploitation of the work’ or if it ‘unreasonably prejudices the legitimate interests of the right holder’.

At this point, the initial differences between the market harm factor in the USA and the harm concept in the EU become clear. First, under the European three-step test, harm to the right holder is the main criterion that must be taken into account when granting a copyright exception. It is reflected in two of the three factors in the three-step test. Secondly, the three-step test requires that each of the conditions must be satisfied in order to warrant a copyright exception. Thus, a copyright exception cannot be granted if the use only ‘conflicts with the normal exploitation’ or ‘unreasonably prejudices the legitimate interests of right holder’. The public benefits of the use do not need to be taken into account, but in the event they are considered, they cannot outweigh the explicit requirements of the test. Arguably, the three-step test is not only applied when introducing new specific copyright law exceptions, but also when applying these exceptions in court practice. This means that the two-pronged harm criterion is applied twice: initially, when the legislator is drafting the exception, they have to ensure the exception meets the respective two prongs of the three-step test; and again, when the exception is applied in court to a particular case. The court must not only clarify whether the contested use falls within the scope of the specific exception, but also analyse whether the application of the exception conflicts with the normal exploitation of the work or results in unreasonable prejudice to the right holders’ interests.

102 See the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), art 13.
103 Information Society Directive, art 5(5).
105 This has been confirmed in the WTO panel decision DC160, US — s 110(5) Copyright Act. See also discussion below.
106 See, eg, see Case 360/13 Public Relations Consultants Association Ltd v Newspaper Licensing Agency Ltd and Others. However, in more recent cases, the CJEU found that it is sufficient to prove that the contested use meets the elements of the exception (while the exception itself, obviously, has to meet the three-step test requirements). See Case 117/13 Darmstadt. EU Member states do not agree whether the three-step test is a rule intended for law makers or for the courts, see Herman Cohen Jehoram, ‘Is there a hidden agenda behind the general non-implementation of the EU three-step test?’ (2009) 31(8) EIPR 408–10. The test is also applied differently in different courts, eg see BGH I ZR 118/96 [2000] ECC 237 (Germany); Perquin et UFC Que Choisir v SA Films Alain Sarde, Cour de Cassation, 28 February
The scope of harm required under the three-step test seems to be broader than the recent approach established in US court practice. The WTO panel has interpreted the TRIPS three-step test very strictly. First, ‘normal exploitation’ was given a very broad meaning. It was held to encompass both ‘the forms of exploitation that currently generate income for the right holder as well as those which, in all probability, are likely to be of considerable importance in the future’ (emphasis added). Secondly, with regard to the third step—‘unreasonable prejudice to legitimate interests’—‘legitimate interests’ were defined even more broadly, as ‘every conceivable possibility of deriving economic value’. Thus, under the three-step test, a use may only be allowed in the absence of any actual, foreseeable or potential harm to the right holder’s sources of revenue.

However, commentators have criticized the WTO’s approach and offered a number of alternative interpretations. Arguably, ‘any reference to future forms of exploitation runs the risk of restricting policy space for exceptions every time a technical evolution allows control of previously uncontrollable uses and thus creates new possibilities for exploitation’.

The same three-step test is often applied in CJEU case law, with frequent reference to ‘unreasonable prejudice of reasonable interest’. However, the CJEU is yet to provide a more detailed analysis regarding the content of these criteria, or the role of harm in general.

**What the EU can learn from the US ‘market harm’ concept**

There are a few ways how the US market effect factor could inspire EU lawyers in dealing with the controversial three-step test.


109 WTO Panel, ibid, para 6.227. For more see Senftleben (n 70) 273.


112 See Geiger, Gervais and Senftleben (n 110) 15–16. cf M Buydens and S Dusollier, ‘Les exceptions au droit d’auteur : évolutions dangereuses’ (2001) Comm com élec 13; JC Ginsburg, ‘Toward Supranational Copyright Law? The WTO Panel Decision and the “Three-Step Test” for Copyright Exceptions’ (2001) RIDA 48 (underlining the risk that ‘the traditionally free uses, such as for training purposes or parody, be considered as normal exploitations, supposing that right holders manage to implement a profitable collecting system’).


114 One of the few examples when the court examined the application of each criterion is provided in Case 360/13 Public Relations Consultants Association, paras 54–60; Case 117/13 Darmstadt, para 47.

115 Other authors suggesting fair use as the basis for interpreting the three-step test include Kamiel Koelman, ‘Fixing the Three-Step Test’ (2006) EIPR 407.
First, when applying the three-step test, the EU could abandon the broad concept of harm as formulated by the WTO panel. Instead a much narrower concept of harm, like the one articulated in recent US court practice, could serve as an example. As discussed above, US courts are only able to consider the actual and potential harm, such as loss of revenue, where the contested use serves as a replacement for the original work.\(^\text{116}\)

Other authors have also advocated for a narrower reading of the three-step test requirements, and consequently a narrower concept of harm.\(^\text{117}\) For instance, Dreier argues that ‘normal exploitation’ can no longer be interpreted as comprising any and all future exploitation possibilities of copyrighted material in value-added information services. In economic terms, Dreier posits that, in the information society, there is a fundamental need for competition in relation to downstream value-added information services on the basis of upstream information.\(^\text{118}\) Namely, one needs to ensure that the existing copyright materials (the ‘upstream market’) are readily accessible for the creation of information services. This in turn allows for better aggregation, searchability, identification and access to these materials (the ‘downstream market’). Dreier provides a number of arguments as to why markets for information value-added services should be opened up to competition from commercial parties in downstream markets, as opposed to being monopolized by, or under the exclusive control of, the upstream market, being the original producer or author.\(^\text{119}\) Such competition is clearly prevented by an overly broad conception of harm. If any loss of actual or potential licensing revenues is recognized as ‘prejudice to normal exploitation’, as suggested by the WTO Panel, there is no possibility of an exception for value-added information services. Thus, right holders would retain full control of the use of their works both in the upstream and downstream information markets.\(^\text{120}\)

One possible way of narrowing the concept of harm in the EU is to limit the situations when ‘a conflict with normal exploitation’ can be found. Following the US example, a ‘conflict with normal exploitation’ is established only in cases when a contested use serves as a substitute or replacement for the original work. As a result, right holders would not be able to claim any actual or potential loss of revenue, as they can only establish harm in cases where the contested use ‘usurps’ the market of the original work.

Secondly, when assessing copyright exceptions, EU courts should be permitted to recognize factors other than harm to right holders’ interests. Unfortunately, the three-step test does not allow consideration of public benefit or the transformative value-added use.\(^\text{121}\) However, some commentators argue in favour of interpreting the three-step test in such a way as to enable the balancing of different private and

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116 See *Campbell*, 510 US 569, 591 (‘cognizable market harm’ is limited to ‘market substitution’).
117 See, eg, see Senftleben (n 70) 196.
118 See Dreier (n 63) 238.
119 See Dreier (n 63) 240–42, 253.
120 For example, when a work is entered into a search engine, a right holder could argue that free use of the work would mean a loss of their potential licensing fees. Therefore, an exception for search engine use could not be permitted, and right holders would retain full control over the use of their work in such information services.
121 For similar criticisms, see Koelman (n 115) 407–12, 408.
public interests. Arguably, when examining whether a particular exception has ‘unreasonably prejudiced the legitimate interests’ of right holders, one should first identify the ‘legitimate interests’ and then analyse whether they were in fact ‘prejudiced’. ‘Legitimate interests’ is a broader concept than ‘normal exploitation’, as discussed above. Despite the lack of a clear definition, it is suggested that right holders at least have a ‘legitimate interest’ to be asked for permission in respect of each use covered by exclusive rights. In such a case, the exploitation of exclusive rights without the right holder’s authorization would potentially ‘prejudice’ their legitimate interests. Then, most importantly, it should be assessed whether such prejudice was ‘unreasonable’. At this stage, the private interests of right holders must be weighed against the public benefits that arise from a particular use. If a right holder’s interests are prejudiced to some extent (eg they do not receive licensing fees for the exploitation of an exclusive right), and the public benefits of the use are very significant, such prejudice might be considered ‘reasonable’.

The CJEU have applied a similar ‘balance of interests’ approach in their most recent decisions. The process involves two steps. First, the CJEU considers the purpose of the exception—namely, what public interest the exception is designed to serve, and whether the contested use in fact achieves this purpose. Secondly, the court discusses the need to balance the interests of both right holders and the public at large. In such cases, the three-step test either plays a secondary role, or is simply not considered at all. Rather, the harm to right holders and their interests are implicitly considered as part of the balancing process. EU commentators have previously encouraged, and indeed welcomed, the application of such a flexible balancing exercise when considering copyright exceptions.

Market harm and digital library uses
We will now illustrate how the suggested construction of the harm criterion could be utilized in practical scenarios. We will consider its application to three categories of digital uses that arise in EU libraries: mass digitization for preservation purposes; mass digitization for the purpose of creating a searchable database; and making the digitized materials accessible for online consultation.

122 See Geiger, Gervais and Senftleben (n 110) 15–16.
123 Similarly, others refer to the third prong of the three-step test as ‘a proportionality test’, which is often used to settle conflicts between fundamental rights, see Geiger, Gervais and Senftleben (n 110) 24.
124 See, eg, see Case 360/13 Public Relations Consultants Association, paras 24, 35 (short references to public interest); Case 117/13 Darmstadt, paras 27, 31; Case 201/13 Deckmyn.
125 See, eg, in the recent Deckmyn decision, the CJEU analysed the application of the parody exception. The decision interprets the exception in a purposive way, and with the goal of achieving a balance of interests. The three-step test is not referenced at all. See Case 201/13 Deckmyn, paras 23, 28.
First, with regard to mass digitization for preservation purposes, we would argue there is no conflict with the normal exploitation of works. Copies for the purpose of preservation do not serve as a replacement for the original works, and as such, they do not usurp the market for the original works. Right holders have never considered preservation by public libraries as a means of generating revenue from their works. Secondly, we must determine whether the legitimate interests of the right holders have been unreasonably prejudiced. It could be argued that, if libraries were to reproduce entire works the legitimate interests of right holders would be prejudiced to a certain extent. Right holders may claim the libraries are exercising an exclusive right of reproduction in the absence of authorization, and without offering appropriate remuneration in return. However, such prejudice is likely to be perceived as ‘reasonable’, as the public benefit is obvious—preservation in public libraries facilitates the retention of works for future generations in the event an original work is, or is about to be, lost or damaged. Meanwhile, any harm to the right holders’ interests is minimal, as works are merely reproduced for preservation purposes, and are not made publicly available.127

Secondly, the digitization of works in libraries for the purpose of creating searchable databases, in a manner similar to HathiTrust or Google Books, may seem more complicated. Prima facie, such a use would not conflict with the ‘normal exploitation’ of a work, as searchable databases such as HathiTrust and Google Books do not serve as substitutes for the works contained in them. Thus, even if there were a possibility of developing a future licensing scheme for the use of works in such databases or search engines,128 any loss of potential licensing revenues would not be considered under the proposed narrower interpretation of the ‘normal exploitation’ criterion. However, right holders may still argue their legitimate interests have been unreasonably prejudiced, as digital full-text databases reproduce works in full. This is clearly a very different process compared to traditional indexing and searching. However, one could argue the public benefits of these searchable databases outweigh the interests of right holders. As discussed above, the public benefits associated with full-text library databases are incontestable. Libraries would be able to provide the public with full-text search functionality for vast amounts of library materials, which would significantly contribute to research, science, the information society and cultural diversity in Europe. Such library services would also benefit right holders


128 That was the argument put forward by right holders in the HathiTrust case. However, it was rejected by the court. See Authors Guild v HathiTrust, 755 F3d 87, 24.
themselves. Several academic authors have expressed their support of HathiTrust, stating 'Academic authors are typically motivated to create scholarly works to share the knowledge they contain with the world, thereby promoting the progress of science in keeping with the constitutional purpose of copyright'.

The court in the Google Books case also recognized that the advantages enjoyed by the right holders outweighed any harm caused by the Google Books service. Economic studies analysing the impact of the Google Books project on the right holders’ markets have also reached similar conclusions. Thus, the net effects of full-text databases in libraries are positive for both right holders and society at large, which speaks in favour of granting an exception for such use.

In contrast, a different conclusion would be reached with respect to making digitized works accessible online via library portals. The process of making works accessible online for reading or viewing, either on a permanent or temporary basis, clearly falls within the scope of ‘normal exploitation’ of works. The distribution of digital books is an emerging market in Europe, a market that would clearly be usurped if libraries were to make digitized copies available online. The copies would serve as a replacement for digital books offered by publishers online. Consequently, the prejudice to the right holders’ commercial interests is both clear and significant. Further, it is unlikely such prejudice would be recognized as ‘reasonable’. Despite the obvious public interest in free access to digitized library collections, the legitimate interests of right holders to control the public dissemination of their works online, and to receive adequate remuneration in return, would certainly prevail.

Similarly, other studies demonstrate that the widespread online availability of digitized library materials would result in unreasonable prejudice to right holders’ interests.

In conclusion, the US approach regarding market harm could provide a useful example for the EU when reviewing the role of market harm in the application of the three-step test. According to the more flexible construction proposed above, one needs to focus only on damages caused by ‘market replacement’, as opposed to all possible revenue losses the right holder may face. Further, the three-step test could be amended to include a balancing exercise, whereby any prejudice to the legitimate interests of right holders is weighed against public benefits. Such alteration provides the necessary scope to incorporate certain new library uses, such as mass digitization for preservation purposes and the creation of searchable full-text databases, into existing EU copyright law.


130 Authors Guild, Inc v Google Inc 954 F Supp 2d 282.

131 See Travis (n 60).

132 cf Samuelson 2011 (n 60) 718.


134 The situation is slightly different with out-of-commerce works that are no longer available in the market. Here, the prejudice to the right holders’ interests and public benefit would need to be carefully weighed.

135 cf CRA (n 127) 19–28.
Commercial use

Situation in the USA

The final interesting feature to be discussed from the recent US court decisions, and especially the Google Books case, is the approach formulated with regard to private commercial parties in the mass digitization projects. The US courts allowed libraries to carry out mass digitization projects and create searchable databases in the absence of right holders’ permission. Both public libraries (such as in the HathiTrust case), and their commercial partners (such as Google) were authorized to create such databases. In weighing the relevant factors, the court held in the Google Books case that, even if the use at stake is commercial, this does not automatically preclude the possibility of a finding that the use is transformative, and thus invoking the application of fair use. The Second Circuit reminded that universally accepted forms of fair use, such as reporting, commentary, parody and others, are all done commercially for profit. In addition, Judge Chin had suggested that Google is acting as a marketing mechanism for these books, a role that is especially important for works that may be nearing the end of their copyright protection period.

In the USA, the application of fair use to commercial uses is not an entirely new approach. Initially, commercial uses were not considered to be transformative. This presumption was subsequently weakened, as the US courts came to recognize a number of commercial transformative uses constituted fair use. As such, the courts have held the commercial nature of the use may be disregarded if the use is highly transformative and serves a public interest.

Situation in the EU

In certain circumstances in the EU, commercial entities are also permitted to profit, either directly or indirectly, from copyright exceptions. However, with regard to reproduction in libraries, the EU exception does not envisage the participation of commercial parties. Arguably, libraries can outsource reproduction activities to third parties who are commercial entities. However, these entities should act under the control of the libraries, and they should not receive any benefit or right other

137 Authors Guild, Inc v Google Inc 954 F Supp 2d 282, 24–25. See also Costantino (n 26) 268.
138 For more information, see William Patry, The Fair Use Privilege in Copyright Law (2nd edn, Bureau of National Affairs 1995) 420 n.34.
139 See, eg, Kelly v Arriba Soft Corp, 336 F3d 811 (9th Cir 2003) (held that US search engines may use thumbnails of images, despite a failure to obtain permission for such images from the rights holder); Perfect 10, Inc v Amazon.com, Inc, 508 F3d 1146 (9th Cir 2007) (the court sanctioned the defendant’s use of copyrighted artwork—without permission—in the form of thumbnails and ‘Cached’ links). For a brief overview of the cases, see Morris (n 27) 202–3; Diaz (n 17) 693.
140 For criticism of such an approach see Sookman (n 27) 494; Morris (n 27) 197–98.
141 For example, in cases of reprographic reproduction, reporting current events and the use of political speeches, use for caricature, parody or pastiche. See Information Society Directive, arts 5(2) and 5(3).
142 See Information Society Directive, art 5.2(c) (‘specific acts of reproduction made by publicly accessible libraries, educational establishments or museums, or by archives, which are not for direct or indirect economic or commercial advantage’).
than a fee for their services.\textsuperscript{143} Thus, any mass digitization project that is conducted by a commercial party in collaboration with public libraries, such as the Google Books project, is unlikely to be covered by this exception, or any other copyright exception in the EU.\textsuperscript{144} The European perspective is that mass digitization projects and preservation in libraries should not be undertaken by private parties, whose main motive is profit. Rather, public authorities that pursue broader societal goals, such as the preservation of linguistic diversity, should be charged with this task. Thus, while market objectives are not completely ignored, they should only be incidental to the broader objectives of the European polity.\textsuperscript{145} The intention to exclude private parties from participating in mass digitization projects was also observed in the recent Orphan Works Directive.\textsuperscript{146}

However, the European Commission has frequently highlighted the need to encourage public–private partnerships (PPPs) in mass digitization projects.\textsuperscript{147} Despite this vision, little has been achieved thus far. While the 2008 Report on Public Private Partnerships\textsuperscript{148} provided several recommendations for public institutions on how to run PPPs, it failed to suggest any clear policies or legal solutions that would encourage the uptake of PPPs.\textsuperscript{149} Further, the 2011 Recommendation on the digitization and online accessibility of cultural material and digital preservation highlighted the need to encourage PPPs in mass digitization projects. Yet, the proposed involvement of PPPs must be undertaken within the framework of existing Intellectual Property rights.\textsuperscript{150} Under the Europeana Strategic Plan 2011–2014, PPPs are again referenced as a means of facilitating the distribution of digitized content.\textsuperscript{151} Despite these

\begin{itemize}
\item \textsuperscript{145} Ricolfi (n 144) 227.
\item \textsuperscript{146} See Orphan Works Directive, recital 22 (allows agreements between public institutions and private partners but they ‘should not impose any restrictions on the beneficiaries of this Directive as to their use of orphan works and should not grant the commercial partner any rights to use, or control the use of, the orphan works’).
\item \textsuperscript{147} See, eg, see European Commission, ‘Europe’s cultural heritage at the click of a mouse: Progress on the digitization and online accessibility of cultural material and digital preservation across the EU’, 11.8.2008, COM (2008) 513 final, 3.2 p.5; Joint Statement of EU Commissioners Reding and McCreevy, 7 September 2009, MEMO/09/376.
\item \textsuperscript{149} The only policy measure proposed at the Member State level is with regard to fiscal benefits for private parties participating in PPPs. See PPP Report (n 148) 13.
\item \textsuperscript{150} See the Commission Recommendation of 27 October 2011 on the digitization and online accessibility of cultural material and digital preservation, 2011/711/EU, OJ L 283/39 29.10.2011, art 2; Anex 1, p 1.
\end{itemize}
political declarations, reports show minimal participation from private parties in digital library initiatives.¹⁵²

Need to encourage?

Collaboration between private parties and public libraries in mass digitization projects is essential to ensure the sustainability of EU-wide digitization projects. First, the private sector is able to provide funding for the projects, as well as access to the newest technology and relevant ‘know-how’.¹⁵³ Long term financial sustainability is one of the most concerning issues Europeana and national digitization projects are currently facing. Until now, these projects have been primarily financed by local or European public funds. Yet, due to severe budget cuts by the European Union,¹⁵⁴ all services funded by the European Commission are now required to develop their own sustainability plans, or diversify their income streams.¹⁵⁵ Secondly, private sector companies often promote innovative ideas, such as how to encourage the public to use digital content broadly and in a variety of ways, while simultaneously deriving profits from that use. For instance, the idea to create a worldwide full-text searchable database of digitized content was first realized by Google, a for-profit company.¹⁵⁶ Meanwhile, Europeana is still struggling to attract sufficient users to their search engine. The level of engagement with the material, and thus the true impact of Europeana, is still relatively low.¹⁵⁷ According to recent studies, the content and functionalities of Europeana do not fully satisfy users’ needs.¹⁵⁸


¹⁵³ PPP report (n 148) 11–12.


¹⁵⁵ Until 2020, approximately 50% of the Europeana budget should come from Member State service fees, and revenue from commercial activities. The income from creative industries in Member States is expected to grow 10 times during 5 years, from €0.1 million in 2015 to around €1.2 million in 2020. See Europeana Strategy 2020, Network & Sustainability (draft) (30 May 2014) <http://pro.europeana.eu/files/Europeana_Professional/Publications/Europeana%20Strategy%20Network%20Sustainability.pdf> accessed 5 November 2015.

¹⁵⁶ However, Google is still searching for a suitable business model on how to commercialize the Google Books project. Advertising on a Google Books website failed, and was abandoned in 2013. The Google Editions initiative, launched in 2010, was also abandoned soon after. Since 2012, digitized books have been available through the Google Play service. Google Play offers a variety of content (music, apps, books, etc) and has recently shown increased success. For example, see ‘Google Play - The Next Big Thing For Google?’ (blog), <http://seekingalpha.com/article/2428025-google-play-the-next-big-thing-for-google> accessed 5 November 2015.

¹⁵⁷ See Purday (n 8) 935. According to the Europeana reports, there were over 25 million impressions of Europeana partners’ content on Facebook, Pinterest and Wikipedia in 2013 (see Europeana Annual Report 2013, p 22). However, up until now, national portals have only provided simple usage possibilities that demonstrate a lack of innovation in their services. See ‘Analysis of the Europeana and Athena Survey for the Aggregators #2’ (November 2011) 17 <http://pro.europeana.eu/files/Europeana_Professional/Publications/Aggregators%20Survey%20II.pdf> accessed 5 November 2015.

Thus, Europeana continue to prioritize increased usage and higher impact. For instance, one could question whether it is reasonable to require public libraries to exclusively maintain information resources held on their premises. Why should private parties be prevented from undertaking parallel initiatives to improve information services in society? Obviously, this could only be permitted in circumstances where the legitimate interests of right holders are not unreasonably prejudiced. It is true that the role of the commercial sector is a matter of general principle in cultural policy. While the USA prefers a laissez faire approach, European countries tend to intervene in cultural processes and award more privileges to cultural institutions, as opposed to private players, in the field. However, as far as the education, research and information sectors are concerned, private parties could arguably play an equally useful role.

Therefore, it is reasonable to consider how private parties could be encouraged to participate in the creation of innovative information services at the EU level. Such services would arguably improve work within the information, education and research sectors, including libraries. Private parties could be allowed to use pre-existing copyright works in the development of these value-added services, so long as these uses did not unreasonably prejudice the legitimate interests of the right holders.

Commercial uses of library materials

One area that is ripe for commercial use consideration is innovative non-expressive uses of existing materials. This would include the creation of searchable full-text databases, or using such databases to conduct TDM. Such uses could be permitted by both public or private, not-for-profit and commercial parties under copyright law. This would be possible so long as the use promotes innovation in the information and communication sector, it is of a significant public benefit, and the right holders’ legitimate interests are not unreasonably prejudiced.

The mass digitization of works for the purpose of creating a searchable full-text database is undoubtedly an innovative service, as it enables the efficient search and identification of library materials. This transformative use of the works results in obvious public benefits. Finally, as discussed in previous sections, it would not cause unreasonable market harm for the right holders. It does not conflict with the normal exploitation of works, and does not unreasonably prejudice the legitimate interests of right holders.

We arrive at a similar conclusion when analysing the TDM exception. TDM is clearly an innovative use, as it leads to increased knowledge that can subsequently be applied across a variety of fields. Further, the potential harm to right holders is minimal. TDM, as with any other search activity, would not be a part of the ‘normal

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160 See, eg, Ricolfi (n 144) 228.
161 ibid.
162 For more information, see ‘Transformative use and libraries: enabling full-text digital search’ section.
163 For more information, see ‘Market harm and digital library uses’ section.
164 See ‘Transformative use doctrine in Europe’ section.
exploitation’ of works, as right holders would not normally licence search or indexing activities per se. Although TDM activities include the reproduction of works, this may only result in minimal prejudice to the interests of right holders. These reproductions are only used for search purposes, being ‘non-expressive’ use, and are not available for public consumption. Finally, the public benefit resulting from TDM activities, being the innovative value-added results of such research, is likely to outweigh the interests of right holders to exclusively control the use of their work.

The next issue to address is whether such non-expressive uses of library materials could also be allowed for commercial purposes. The intuitive reaction to such a question in Europe would probably be that, if works are used commercially—ie for the purpose of generating profits—any profit should be shared with the right holders. This is an entirely reasonable proposition. However, at least two further arguments strongly favour permitting such non-expressive uses by commercial parties.

First, the market failure argument should be addressed. The licensing of materials for certain innovative projects may prove impossible, as relevant cross-border licensing mechanisms do not exist. For instance, Google is currently unable to acquire cross-border licences in Europe for all the materials it needs to create a global Google Books search engine. This search engine would undoubtedly lead to significant benefits, while causing very little harm to right holders. Yet, the lack of an adequate licensing scheme is not only a disadvantage for Google. It also represents a significant loss for the European information and knowledge society, and the educational and research sectors. If Google were allowed to engage in mass digitization of European materials and integrate them within the Google Books search engine, European audiences could easily search not only Anglo-Saxon material, but also European resources in any language. Importantly, Google would not be permitted to make the resources publicly accessible, except for small excerpts or snippets of the work.

Secondly, the public interest argument is also relevant. Even if it were possible to develop appropriate remuneration mechanisms for such uses, one would need to carefully weigh the market harm of the use and the extent of any profit received by a commercial party against the innovative nature of the uses and the public benefit they create. If the public benefits significantly outweigh any harm experienced by the right holders, there is a strong argument to exclude such uses from the scope of exclusive rights. This model has been followed in a number of exceptions where, due to prevailing public interests such as education, research, access to information or freedom of expression, a right holder’s exclusive rights were limited without the possibility of profiting from such uses. While this balancing test may be difficult to apply, US courts have been able to employ it. Subsequently, a number of innovative information society services have been legitimized without unreasonably prejudicing either the creative markets or incentives for right holders. Thus, the EU lawmakers may wish to reconsider their negative approach regarding the role of commercial entities in the educational, research and information sectors. This would better enable the creation and implementation of innovative and value-added services in these areas of significant social and economic development.

165 For example, the EU could theoretically establish an EU-wide compulsory licensing scheme for such uses.
CONCLUSIONS

The Google Books and Europeana projects provide a useful illustration of how copyright law systems in the USA and the EU are able to adapt to meet the challenges posed by new information technologies. With regard to mass digitization projects, the EU has adopted a legislative approach and developed several solutions for certain problems, such as how libraries should deal with orphan works in mass digitization projects. In contrast, the USA chose to resolve problems at the judicial level. With the help of the famous fair use doctrine, the USA has opened the door for libraries and their commercial partners to offer an array of new information services. Even though Europe does not have a comparable fair use doctrine, the US court rulings still provide several general policy guidelines. The EU lawmakers and judicial officers could consider these strategies when adapting copyright law to meet the challenges associated with the information society.

The fair use defence, and especially the transformative use doctrine, has enabled the US copyright system to embrace innovative value-added reuse of works, especially in the library and information technology sector. The European copyright system still appears to be based upon the idea that innovation should only be encouraged through increasingly strengthened forms of copyright protection. Clearly, this assumption needs to be challenged. The European law makers should investigate how copyright exceptions could be adjusted, or new exceptions introduced, to encourage innovative reuse of existing works. Such reuse would lead to significant societal benefits. Library exceptions are one example of where such transformative reuse of works could be encouraged.

The HathiTrust and Google Books cases also demonstrate that the US copyright system is based upon a utilitarian approach to copyright. In particular, the construction of market harm in these cases seems to imply that, if the overall benefits arising from a particular reuse of works are greater than the harm to the right holder, the harm may be ignored and the use should be allowed. In Europe, the three-step test seems to rely upon a ‘right holder-centric’ perspective where the main, if not only, question when introducing or amending an exception is whether the contested use causes any harm to the right holder. In other words, it must be determined whether the use unreasonably prejudices the legitimate interests of the right holder. It is argued here that this right holder-centric approach is no longer suitable. A more balanced approach is required, where the interests of both right holders and the general public are considered in the introduction and application of copyright exceptions. Several European commentators have supported this approach, and it was also impliedly observed within recent CJEU practice.

Finally, the US fair use doctrine has allowed private companies to reuse vast amounts of original works in the creation of innovative and value-added information services. In the EU, the conclusion that any commercial use of works requires permission from the right holder, and appropriate remuneration, still prevails. If the EU is to keep pace with the USA in the information technology sector, there is an obvious need to facilitate the involvement of private commercial parties in the creation of innovative information technology services under copyright law. The EU has discussed the need to encourage partnerships between private and public sectors, but have failed to take any significant action in this regard. Copyright exceptions that are more business-friendly could create new opportunities for use of original content in the creation of innovative information services, while simultaneously preserving the markets for original works.