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Stanford Technology Law Review

The Google Book Settlement and the TRIPS Agreement

DANIEL GERVAIS*

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I. INTRODUCTION

Not long after Google announced in December 2004 that it would include in its search database the full text of books from a number of leading research libraries, two lawsuits—structured as class actions—were filed by a group representing mostly trade authors and a major publisher.¹ One of the key issues was whether Google’s project was defensible as fair use.²

After several years of discussion, a proposed settlement was reached.³ It would have allowed Google to continue scanning copyrighted books into its search index and displaying the text to its users in exchange for the payment of license fees to copyright holders.⁴ The proposed display rules were contingent on whether a book was still in print.⁵ Additionally, rightsholders could opt out of the settlement either entirely, by requesting the removal of protected books, or partially, by modifying the default display rules.⁶

The proposed settlement came under intense scrutiny and criticism.⁷ A number of foreign rightsholders, and even foreign governments, opposed the deal.⁸

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¹ Complaint, McGraw-Hill Cos. v. Google Inc., No. 05-CV-8881 (S.D.N.Y. Oct. 19, 2005); Complaint, Author’s Guild, Inc. v. Google Inc., No. 05-CV-8136 (S.D.N.Y. Sept. 20, 2005).

² See KATE M. MANUEL, CONG. RESEARCH SERV., R40194, THE GOOGLE LIBRARY PROJECT: IS DIGITIZATION FOR PURPOSES OF ONLINE INDEXING FAIR USE UNDER COPYRIGHT LAW? 5-9 (2009), available at <http://opencrs.com/document/R40194/>.

³ Settlement Agreement, Author’s Guild, Inc. v. Google Inc., No.-CV-8136 (S.D.N.Y. Oct. 28, 2008) (proposed), available at <http://www.googlebooksettlement.com/intl/en/Settlement-Agreement.pdf> [hereinafter Settlement Agreement].

⁴ Settlement Agreement, *supra* note 3, § 2.1(a). The settlement applied to books (not periodicals) published before January 5, 2009.

⁵ *Id.* § 3.2(d). For public domain books, see *id.* § 1.116. According to Google, approximately seventy percent of copyrighted books are out of print. Jonathan Band, *The Long and Winding Road to the Google Books Settlement*, 9 J. MARSHALL REV. INTELL. PROP. L. 227, 262 (2009).

⁶ Settlement Agreement, *supra* note 3, §§ 1.98, 3.5. Under the original settlement agreement, the deadline was September 4, 2009. See Order at 2, Authors Guild, Inc. v. Google, Inc., No. 05-CV-8136 (S.D.N.Y. Apr. 28, 2009) (extending the original opt-out deadline of May 5, 2009).

⁷ For example, the U.S. Department of Justice submitted a brief opposing some aspects of the proposed settlement. See Statement of Interest of the United States of America Regarding Proposed Class Settlement at 6-10, Authors Guild, Inc. v. Google Inc., No. 05-CV-8136, 2009 WL 3045979 (S.D.N.Y. Sept. 18, 2009). Additionally, the House Judiciary Committee questioned whether a solution was better achieved through legislation than through class action litigation. See *Competition and Commerce in Digital Books: Hearing Before the H. Comm. on the Judiciary*, 111th Cong. 2-3 (2009). Lastly, Professor Pamela Samuelson wrote a strong set of

As a result, the settlement was amended significantly.⁹ One of the main differences between the original and amended settlements was the treatment of foreign rightsholders.¹⁰ While the original settlement applied to rightsholders in all countries, the amended agreement would only apply to foreign books published in Australia, Canada, or the United Kingdom, or registered with the United States Copyright Office as of January 5, 2009.¹¹

Conformity with international treaties and agreements to which the United States is party, in particular the Berne Convention¹² and the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS),¹³ has not been a major part of the discussions surrounding the proposed settlement but it is important because incompatibility with TRIPS might trigger a dispute-settlement case against the United States at the WTO and lead—should the United States lose the case partially or entirely—to trade-based retaliation.¹⁴ To mention two examples, in 2000 a WTO panel found that § 110(5)(B) of the Copyright Act was incompatible with Article 13 of the TRIPS Agreement (the so-called three-step test).¹⁵ As of this writing, the panel report has not been implemented, perhaps in part because a binding arbitration report determined that the level of injury caused by the exemption was extremely low.¹⁶ In a more recent case, failure by the United States to implement a panel report that found part of the cotton subsidies paid to U.S. farmers incompatible with WTO rules may lead to the removal of intellectual property protection for U.S. goods in Brazil.¹⁷

The unprecedented nature of the Google case, however, is that the incompatibility would not result from typical trade measures adopted by legislation or regulation but rather by a court decision. Generally, court decisions are immune (as a practical matter) from WTO review owing to their *inter partes* nature—that is, they are not measures or requirements of general application. The application of class action procedures, however, that would include a large number of foreign intellectual property holders as part of the covered classes, may open the Settlement to WTO scrutiny.¹⁸

critiques. See Pamela Samuelson, *Pamela Samuelson's Letters to the Court: Concerns on the Proposed Google Book Settlement*, 12 TUL. J. TECH. & INTELL. PROP. 185 (2009).

⁹ See Memorandum of Law in Opposition to the Settlement Proposal on Behalf of the Federal Republic of Germany, No. 05-CV-8136 (S.D.N.Y. Aug. 31, 2009). In fact, many foreign publishers filed objections, including over ninety from Germany, fifteen from Sweden, and twenty-five from the Netherlands. Band, *supra* note 5, at 314 n.827.

¹⁰ Settlement Agreement, Authors Guild, Inc. v. Google Inc., No. 05-CV-8136 (S.D.N.Y. Nov. 13, 2009) (proposed), available at http://www.googlebooksettlement.com/t/view_settlement_agreement [hereinafter Amended Settlement Agreement].

¹¹ Compare *id.* § 1.19, with Settlement Agreement, §1.142. According to Jonathan Band, “as much as 50% of the titles in the research libraries partnering with Google are not in English; and most of these foreign language titles probably were published outside the United States and were not registered with the Copyright Office.” Band, *supra* note 5, at 321.

¹² Amended Settlement Agreement, *supra* note 9, § 1.19.

¹³ Paris Act Relating to the Berne Convention for the Protection of Literary and Artistic Works, July 24, 1971, 1161 U.N.T.S. 18388 [hereinafter Berne Convention]. For application to the United States, see Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853.

¹⁴ Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement]. The TRIPS Agreement was implemented by the Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994).

¹⁵ See generally *Understanding on Rules and Procedures Governing the Settlement of Disputes, Marrakesh Agreement Establishing the World Trade Organization*, Annex 2, Apr. 15, 1994, 33 I.L.M. 1226.

¹⁶ Report of the Panel, *United States—Section 110(5) of the US Copyright Act*, ¶ 7.1, WT/DS160/R (June 15, 2000), amended by the Fairness in Music Licensing Act of 1998, Pub. L. No. 105-298, 112 Stat. 2830, which was enacted on October 27, 1998. The European Communities (“EC”) (now the European Union) successfully alleged that the section in question, which permitted, under certain conditions, the playing of radio and television music in public places (e.g., bars, shops, restaurants, etc.) without the payment of a royalty fee to performing rights societies, was incompatible with the obligation to provide a public performance right contained in the Berne Convention and incorporated into TRIPS and not an exception allowed under the three-step test.

¹⁷ On November 9, 2001, the arbitrator determined that the level of EC benefits which were being nullified or impaired as a result of the operation of § 110(5)(B) amounted to €1,219,900 per year (approximately \$1.1 million at the October 11, 2001, exchange rate and \$1.6 million as of January 2011). Award of the Arbitrators, *United States—Section 110(5) of the US Copyright Act*, ¶¶ 4.73, 5.1, WT/DS160/ARB25/1 (Nov. 9, 2001).

¹⁸ See Decision by the Arbitrator, *United States—Subsidies on Upland Cotton*, WT/DS267/ARB/1 (Aug. 31, 2009). See also the subsequent Communication from Brazil, *United States—Subsidies on Upland Cotton*, WT/DS267/43 (Mar. 12, 2010).

¹⁹ See *infra* notes 59-61.

International treaties may also be relevant directly in the domestic context. First and foremost, they may be invoked when the interpretation of a U.S. statute is unclear, in which case the interpretation most likely to comport with U. S. international obligations should be favored.¹⁹ Second, a treaty such as the Berne Convention may be directly applicable (“self-executing”).²⁰

In applying TRIPS to the Google Book Settlement, the first question that comes to mind is whether the Original and/or the Amended Settlement constitute a prohibited formality under the Berne Convention, and thus also the TRIPS Agreement.²¹ The Amended Agreement—because it treats rightsholders in three foreign countries differently—raises two related questions, namely (a) whether the national treatment principle is violated, and (b) whether the proposed settlement is compatible with the most-favored nation clause.²² Let us sequentially consider both questions.

II. THE NO-FORMALITY RULE

Article 5(2) came into being in the very early days of the Berne Convention.²³ In the first draft of the Convention published in 1884 the relevant part of Article 2 read as follows:

Authors who are nationals of one of the Contracting Countries shall enjoy in all the other countries of the Union, in respect of their works, whether in manuscript or unpublished form or published in one of those countries, such advantages as the laws concerned do now or will hereafter grant to nationals.

..

The enjoyment of the above rights shall be subject to compliance with the conditions of form and substance prescribed by the legislation of the country of origin of the work or, in the case of a manuscript or unpublished work, by the legislation of the country to which the author belongs.²⁴

The intent was to grant to foreign authors the same rights granted to nationals. This was confirmed by the Drafting Committee, which also clarified the meaning of the expression “conditions of forms and substance,” originally a German proposal, which was changed to “formalities and conditions.”²⁵

¹⁹ See *Murray v. Schooner Charming Betsy*, 6 U.S. 64, 118 (1804); see also Arwel Davies, *Connecting or Compartmentalizing the WTO and United States Legal Systems? The Role of the Charming Betsy Canon*, 10 J. INT'L ECON. L. 117 (2007) (reviewing the cases applying the Charming Betsy doctrine to trade cases).

²⁰ U.S. CONST. art. VI (“[A]ll treaties made, or which shall be made, under the authority of the United States, shall be the supreme law of the land.”). Most U.S. courts, however, have been reluctant to consider intellectual property treaties as self-executing, usually relying on a finding that this was not the intent of Congress. See e.g., *Int'l Cafe v. Hard Rock Cafe Int'l, Inc.*, 252 F.3d 1274, 1277 n.5 (11th Cir. 2001) (noting that Paris Convention is not self-executing because it provides for effectiveness through domestic implementation legislation); *Mannington Mills, Inc. v. Congoleum Corp.*, 595 F.2d 1287, 1298-99 (3d Cir. 1979) (holding that Art. 17 of the Convention is “at odds with contention” that Paris Union is self-executing); *Ortman v. Stanray Corp.*, 371 F.2d 154, 157 (7th Cir. 1967) (holding the Paris Union non-self-executing); see also *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 161 (2d Cir. 2007); *Golan v. Holder*, 609 F.3d 1076 (10th Cir. 2010) (certiorari application was pending as of this writing). But see *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 640 (2d Cir. 1956) (“Plaintiff would appear to be correct in arguing that no special legislation in the United States was necessary to make the [Paris Union] effective here.”).

²¹ This rule, discussed in the next section, is contained in Article 5(2) of the Berne Convention, which was incorporated by reference into the TRIPS Agreement in Article 9.

²² National treatment obligations, discussed under Part III, are contained both in the Berne Convention (Article 5) and the TRIPS Agreement (Articles 3 and 9). The most-favored nation principle, discussed under Part IV is contained in Article 4 of the TRIPS Agreement.

²³ See WORLD INTELLECTUAL PROPERTY ORGANIZATION, *BERNE CONVENTION CENTENARY: 1886-1986* at 94 (1986) [hereinafter CENTENARY].

²⁴ *Id.* at 94.

²⁵ *Id.* at 94-95. As was noted in the Report of the Conference: “the word ‘formalities’ being taken as a synonym of the term ‘conditions of form’, included, for instance, registration, deposit, etc.; whereas the expression ‘conditions’, being in our view synonymous with ‘conditions of substance’, includes, for instance, the completion of a translation within the prescribed period. Thus the words ‘formalities and conditions’ cover all that has to be observed for the author’s rights in relation to his work to come into being, whereas the effects and consequences of protection, notably with respect to the extent of protection, have to remain subject to the principle of treatment on the same footing as nationals.” *Id.*

The Report of the 1896 Paris Conference, where the prohibition was also discussed, explicates the purpose along the same lines:

Under the text of the Convention, the enjoyment of copyright *shall be subject to the accomplishment of the conditions and formalities prescribed by law in the country of origin of the work*. The meaning of this provision does not seem to be seriously debatable. As a result of it, the author needs only to have complied with the legislation of the country of origin, to have completed in that country the conditions and formalities which may be required there. He does not have to complete formalities in the other countries where he wished to claim protection. This interpretation, which is in keeping with the text, was certainly in the minds of the authors of the 1886 Convention . . .²⁶

The 1908 Berlin revision of the Berne Convention adopted a different version of Article 2, one that has survived until now.²⁷ The relevant part reads as follows:

The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise are independent of the existence of protection in the country of origin of the work. Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.²⁸

The Report of the 1908 Revision Conference notes that “[o]utside the country of publication, protection may be requested in the other countries of the Union not only without having to complete any formalities in them, but even without being obliged to justify that the formalities in the country of origin have been accomplished.”²⁹ The formalities prohibited under Article 5(2) are thus: registration with a governmental authority, and deposit of a copy of the work, when linked to the existence of copyright or its exercise, especially in enforcement proceedings. Indeed, formal requirements in existence at the time of the 1908 Conference essentially involved registration, deposit (in national libraries) and, in rare cases, translation in a national language within a predetermined period of time.³⁰ Article 5(2) does not prevent authors from complying with ordinary (non-copyright-specific) formalities (such as a court’s rules of procedure). It would be patently incongruous to read Article 5(2) as preventing making anything mandatory. Normal acts that other copyright holders routinely perform to exploit their works are not “formalities” prohibited under Article 5(2).³¹ In fact, in 1908 the Convention considered an exception to the right of reproduction for newspaper articles. The exception was contained in the proposed Article 9(2), and the relevant part read as follows: “[w]ith the exception of serial novels and short stories, any newspaper article may be reproduced by another newspaper *unless the reproduction thereof is expressly forbidden*.”³² The records made clear that the requirement for an author to have to assert her rights (to expressly forbid secondary uses) was *not* a prohibited formality.³³

The validity of the aforementioned suggested conclusion is confirmed in recent commentary on the Berne Convention published by the World Intellectual Property Organization (WIPO):

Formalities are any conditions or measures—independent from those that relate to the creation of the work (such as the substantive condition that a production must be original in order to qualify as a protected work) or the fixation thereof (where it is a condition under

²⁶ *Id.* at 137.

²⁷ Berne Convention, art. 5(2).

²⁸ CENTENARY, at 149.

²⁹ *Id.* at 148.

³⁰ *See id.*

³¹ For instance, the records of the 1884 Conference note that the term “formalities” might be taken as a synonym of the term “conditions of form,” including, for instance, registration, deposit, etc.; whereas the expression “conditions,” being in our view synonymous with “conditions of substance,” includes, for example, the completion of a translation within the prescribed period. *See* SAM RICKETSON & JANE C. GINSBURG, 1 INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS: THE BERNE CONVENTION AND BEYOND 323 (2d ed. 2006).

³² *Id.* at 327-28 (emphasis added).

³³ *See id.* at 328.

national law)—without the fulfillment of which the work is not protected or loses protection. Registration, deposit of the original or a copy, and the indication of a notice are the most typical examples.³⁴

After a detailed analysis, Professors Ricketson and Ginsburg similarly conclude that the prohibition contained in Article 5(2) applies, with respect to the *existence* of copyright, to “everything which must be complied with in order to ensure that the rights of the author with regard to his work may come into existence,” including a registration requirement.³⁵ They note that the addition of “exercise” to the prohibition was meant to address the other half of the problem: “An author may be vested with copyright, but unable to enforce her rights unless she complies with a variety of prerequisites to suit.”³⁶ They also note that Article 5(2) does not prohibit the establishment of a copyright registration system, nor indeed to giving some legal effect to a certificate of registration, such as *prima facie* evidence status.³⁷ The rule, as mentioned above, is that neither the existence nor the exercise of copyright can be subject to copyright-specific formalities.³⁸ Because a plaintiff is ordinarily expected to prove her case, it does not violate the Convention’s prohibition to provide *prima facie* evidentiary status to a copyright registration.³⁹

Professor Ricketson also made public a note specifically about the Original Settlement noting its conformity with Article 5(2).⁴⁰ His conclusion that imposing an opt-out does not constitute a *per se* violation of Article 5(2) seems unimpeachable. This does not mean, however, that the Amended Settlements would necessarily survive a challenge under Article 5(2) of the Berne Convention. As certain objections have mentioned, the specific opt-out mechanism is particularly burdensome and subject to strict time delays.⁴¹ This suggests that, in the spirit of Article 5(2), while some formalities of an operational nature are allowed and, in some cases, inevitable (e.g. filing pleadings), they must be reasonable and cannot amount to a barrier to the legitimate exercise of rights recognized under the Convention.

III. THE THREE-STEP TEST

Leading commentaries on the Berne Convention and the TRIPS Agreement recognize that, while collective licensing is acceptable if accompanied by an opt-out clause (subject to the caveat noted in the previous section), mandatory collective management is usually not.⁴² Hence, any mandatory inclusion in the Google database of future books—notably after the opt-out period—would amount to a compulsory license, which is subject to a different level of scrutiny. Those licenses are not subject to the no-formality rule but rather to the so-called “three-step test.”

³⁴ MIHÁLY FICSOR, GUIDE TO THE COPYRIGHT AND RELATED RIGHTS TREATIES ADMINISTERED BY WIPO AND GLOSSARY OF COPYRIGHT AND RELATED RIGHTS TERMS 41 (2004); *see also* WORLD INTELLECTUAL PROP. ORG., WIPO INTELLECTUAL PROPERTY HANDBOOK 262 (2d ed. 2004) (“[P]rotection is granted automatically and is not subject to the formality of registration, deposit or the like.”).

³⁵ RICKETSON & GINSBURG, *supra* note 31, at 325.

³⁶ *Id.*

³⁷ *Id.* at 328-29.

³⁸ *See id.* at 326-28.

³⁹ That is, it is not a *condition* for the right to exist. *See* FICSOR, *supra* note 34, at § BC-5.7 (noting that “if registration only has the effect of a rebuttable presumption that the facts registered are valid, it is not such a formality (unless it is applied in a way that, in spite of the original legal regulation, it becomes a de facto formality, because, for example, courts only deal with any infringement case if a certificate of registration is presented.)”).

⁴⁰ *See* Memorandum from Sam Ricketson, Memorandum of Advice: The Compatibility of the Proposed Google Book Settlement with the Provisions of the Berne Convention (Sept. 9, 2009), *available at* <http://thepublicindex.org/docs/commentary/Ricketson.pdf>.

⁴¹ For example, the Objections of Carl Hanser Verlag and Dr. Lynley Hood and the Brief of Amici Curiae Börsenverein Des Deutschen Buchhandels, Schweizer Buchhändler – Und Verleger-Verband Sbv, Hauptverband Des Österreichischen Buchhandels, Associazione Italiana Editori, and the New Zealand Society Of Authors (Pen Nz Inc.), notes that “[t]his painstaking task, which the ASA requires foreign rightsholders to undertake in a remarkably short, inconvenient time-period—plainly imposes burdens that conflict with Berne.” Case No. 05 CV 8136-DC (ECF), Jan. 28, 2010.

⁴² *See* Mihály Ficsor, *Collective Management of Copyright and Related Rights in the Digital, Networked Environment: Voluntary, Presumption-Based, Extended, Mandatory, Possible, Inevitable?*, in COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS 47-50 (D. Gervais ed., 2006).

At the 1967 Stockholm Berne Convention Revision Conference, a rule now known as the three-step test was added to the Convention to limit exceptions to the right of reproduction—a right that was added to the Convention at the same Revision Conference.⁴³ According to the Study Group set up by the *Bureaux Internationaux Réunis pour la Protection de la Propriété Intellectuelle* (BIRPI, the predecessor of the World Intellectual Property Organization) and the Swedish government to prepare the Conference, adding the right of reproduction to the Convention meant that a satisfactory formula had to be found for inevitable exceptions to that right.⁴⁴ The Study Group also recommended that exceptions should be made for clearly specified purposes, adding that a limitation on the exclusive right of the author should not enter into economic competition with protected works.⁴⁵

The Conference provided guidance on the interpretation of the test that was eventually adopted. It indicated that the first step (the Conference did not consider the “special case requirement” to be a separate step) was to determine whether there was a conflict with normal commercial exploitation. If no conflict is found, then either a compulsory license or a full exception could be introduced in national law. The compulsory license (with remuneration) would then counterbalance the level of prejudice in the last step, i.e., it would render such prejudice reasonable where this was necessary.⁴⁶

Two WTO dispute-settlement panels have now interpreted the test, which was incorporated in four different ways into the TRIPS Agreement.⁴⁷ According to those panel reports, an exception must pass all three steps of the test: (a) it must be narrow enough to constitute a “special case” (first step); (b) use of the exception may not enter into competition with the work to which the exception applies (second step); and (c) the prejudice to the legitimate interests of rightsholders cannot reach an unreasonable level, which would happen if an exception or limitation causes or has the potential to cause an unreasonable loss of income to the copyright owner (third step).⁴⁸

Arguably, removing exclusive rights for online access on almost all English-language books would not be particularly narrow and thus could raise doubts under the first step. The availability of the books online—even in snippet form—might interfere with normal commercial exploitation. With time (should the Settlement enter into force) empirical data should emerge to buttress this conclusion or conversely to invalidate it. Finally, while the public interest justification of the Settlement is a matter on which reasonable people may disagree, it may be that, as for competition, it will be possible to demonstrate losses of income. That said, the “compensation” system put in place under the Settlement—administered by the Book Rights Registry—could be said to negate the prejudice and thus allow the Settlement to pass the third step.⁴⁹

IV. NATIONAL TREATMENT

Under the national treatment principle, a country must accord nationals of other countries treatment no less favorable than it accords its own nationals.⁵⁰ Could it be said that the Amended Settlement violates this principle?

⁴³ WORLD INTELLECTUAL PROPERTY ORGANIZATION, 1 RECORDS OF THE INTELLECTUAL PROPERTY CONFERENCE OF STOCKHOLM: JUNE 11 TO JULY 14, 1967 at 111 [hereinafter 1967 Records].

⁴⁴ See MIHÁLY FICSOR, *THE LAW OF COPYRIGHT AND THE INTERNET* § 5.51 (2002).

⁴⁵ 1967 RECORDS, *supra* note 44, at 112.

⁴⁶ *Id.*, Report of Main Committee I, § 85.

⁴⁷ Apart from the already mentioned panel report on Section 110(5) of the U.S. Copyright Act, see *supra* note 15, the three-step test was interpreted in Canada. Panel Report, Canada—Patent Protection of Pharmaceutical Products, WT/DS114/R (March 17, 2000). The test is contained in Article 9(2) of the Berne Convention, which was incorporated into TRIPS by Article 9 of the Agreement. It is also directly made part of the Agreement in Articles 13, 26(2), and 30. The language used in each instance is different but the three-step approach is applied consistently.

⁴⁸ See Daniel J. Gervais, *Towards A New Core International Copyright Norm: The Reverse Three-Step Test*, 9 Marq. Intell. Prop. L. Rev. 1, 15-19 (2005).

⁴⁹ See Amended Settlement Agreement, *supra* note 9, art. VI.

⁵⁰ TRIPS Agreement, *supra* note 13, art. 3. In the case of WTO, the obligation applies to WTO “members,” some of which are trade territories (such as Hong Kong), not countries. See also Berne Convention, *supra* note 12, art. 5(1).

The Original Settlement applied to publications in any language. One could have argued that rightsholders unfamiliar with the English language and forced to file documents (such as an opt-out form) in English were at a disadvantage compared to U.S. rightsholders. This is less likely to happen with the Amended Settlement, which is limited to works published in English and/or registered by the rightsholder at the U.S. Copyright Office.

To make the point that national treatment is violated, one would have to argue that the Amended Settlement is preferential treatment accorded to rightsholders in the United States—and the three foreign countries to which it applies. The “advantage,” if it exists, is the fact that some rightsholders are to be included by default (that is, unless they opt out). A rightsholder from a third country not so included could presumably *ask* Google to be included in the database.

In sum, if inclusion by default in the Google database is an advantage for rightsholders, which is eminently debatable, then those hailing from countries other than the three that were included can indeed make the case that they are treated differently from U.S. rightsholders. But the prejudice seems limited to having to ask to be added (opt in rather than opt out) and not necessarily a convincing basis for making the case that TRIPS obligations were violated.

V. MOST-FAVORED NATION

This part of the analysis, dealing with the so-called “most-favored nation” (MFN) principle, is somewhat more complicated.⁵¹ The MFN principle derives from a trade doctrine used in multilateral tariff negotiations.⁵² Because not all countries can discuss all tariffs together, countries that are major exporters of certain goods typically discuss tariff reductions with countries that maintain high tariffs on such goods, and then the lower tariffs are applied to all exporters of the same goods.⁵³ In trade law, the scope of application of MFN is quite broad. As was noted in the *Canada-Autos* case by the WTO Appellate Body, MFN obligations extend to both *de jure* and *de facto* discrimination.⁵⁴

A major difference between the TRIPS version of the MFN principle and the earlier GATT version is that the former does not refer to “like products,” but rather to “nationals,” that is, rightsholders.⁵⁵

The Amended Settlement raises *prima facie* MFN questions because some foreign nationals/rightsholders (Australia, Canada, United Kingdom) are treated *differently* than others, including rightsholders from countries where English is a predominant language (e.g., New Zealand). Three questions must be answered, however, before concluding that there is a possible MFN violation. First, is the Amended Settlement a “favor, privilege or immunity with regard to the protection of intellectual property?” Second, if so, is a favor, privilege, or immunity “granted by a Member”? Third, does one of the TRIPS exceptions to MFN apply?

“Favor, privilege, or immunity”

Whether one views being included by default in the Amended Settlement (that is, whether one is out by default or one must opt out by a certain date—including rightsholders from Australia, Canada, and the United Kingdom) as an advantage is an interesting question, yet not one needed to determine

⁵¹ This analysis of the TRIPS most-favored nation principle has nothing to do with the so-called “most-favored nation clause” included in Section 3.8(a) of the original settlement, which would require the Registry established under the Agreement to receive and distribute royalties to authors to extend to Google, in certain situations, the same terms it negotiates with other entities. See Settlement Agreement, *supra* note 3, § 3.8(a).

⁵² See Appellate Body Report, *Canada—Certain Measures Affecting the Automotive Industry*, ¶ 84, WT/DS139/AB/R (May 31, 2000) [hereinafter *Canada-Autos*].

⁵³ See *id.*

⁵⁴ *Id.* § 78.

⁵⁵ Compare TRIPS Agreement, *supra* note 13, art. 4 (“any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members”), with GATT, art. I (“any advantage, favor, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties.”) (emphasis added).

whether there an MFN violation exists. The material question is whether this difference in treatment amounts to an advantage for one group of foreign nationals. Clearly, the two groups of foreign rightsholders are treated differently and one of those groups is thus *prima facie* at a disadvantage.⁵⁶

There are no WTO cases directly on point, that is dealing with the interpretation of those terms in a TRIPS context.⁵⁷ However, two WTO cases support a broad and liberal interpretation of the notion of “advantage.”⁵⁸ In one case, a Canadian import duty exemption for motor vehicles originating in designated countries (those with Canadian affiliates essentially) was found to be inconsistent with MFN obligations.⁵⁹ The Appellate Body emphasized the notions of “*any* advantage” and “*all* other Members” used in the GATT MFN provisions.⁶⁰ Then, in the *Indonesia-Autos* case, a panel report pointed out the historically “broad definition” given to the term “advantage.”⁶¹ This is not conclusive but would support the claim that some rightsholders receive an advantage or privilege over others and this difference is linked to their nationality.

“Granted by a Member”

Because MFN obligations are typically applied to trade tariffs, the measure usually considered in MFN cases are laws or regulations imposing tariffs or extending tariff reductions to certain importers. In the proposed Google settlements, however, the differential treatment of Australian, Canadian, and British rightsholders is imposed by a court of law.⁶²

Court decisions typically affect only specific rightsholders—those party to the dispute. Put differently, a court decision does not normally impact a group of rightsholders based on its nationality. As such, court decisions rarely if ever come under MFN scrutiny. Yet, by using the class action system and targeting certain foreign rightsholders—but not all—*based on their nationality*, an MFN violation may have occurred in the Amended Settlement. The fact that the source of the violation is a court does not necessarily immunize it. It is well known that the two other branches of government can act in ways that are MFN-incompatible.⁶³ Indeed, there is no obvious systemic reason or direct precedent one can point to that would exclude the Judicial Branch. As Professor Ehlermann noted: “Despite the fact that judiciaries are usually independent in countries that live under the rule of law, States are responsible for the acts of their courts.”⁶⁴

⁵⁶ Determining which group is at a disadvantage is obviously essential to determining who the complainant would be if a case were filed. Google excluded, *inter alia*, Germany and New Zealand, from the Amended Settlement. Perhaps this was due to the opposition manifested by those two countries to the Original Settlement and would be a sign that for Australia, Canada, and United Kingdom rightsholders, the Amended Settlement is not necessarily an advantage or privilege. For Germany, see *supra* note 8. The Objections and Amicus Brief filed by a group of foreign authors and publishers argues that nationals of Australia, Canada and the United Kingdom have an advantage because they “do not have to determine whether their works have been registered with the U.S. Copyright Office in order to ascertain whether they are members of the Settlement Class. Although it is hardly an ‘advantage’ to be included in this Settlement Class by virtue of one’s citizenship, it is clearly better to know that you are included than not to know at all. . . . The [Amended Settlement] further favors the [the three named countries] by guaranteeing them representation on the Book Rights Registry’s Board of Directors and expanding the definition of Commercially Available to include channels of trade related to the U.S. and their countries only.” Objections and Brief of Amici Curiae, *supra* note 41, at 14.

⁵⁷ See Daniel GERVAIS, *THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS* 188-95 (3rd ed. 2008).

⁵⁸ See PAUL EDWARD GELLER, 1 *INTERNATIONAL COPYRIGHT LAW AND PRACTICE* INT § 5[4][a][iii].

⁵⁹ *Canada-Autos*, *supra* note 52, at 3.

⁶⁰ *Id.* § 79 (emphasis added).

⁶¹ See Panel Report, *Indonesia—Certain Measures Affecting the Automobile Industry*, ¶ 14.138, WT/DS54/R (July 2, 1998).

⁶² The atypical nature of the case is precisely what prompted members of Congress and the Register of Copyrights to declare that the court was asked to perform a task best suited for a legislative process. See *Competition and Commerce in Digital Books: Hearing Before the H. Comm. on the Judiciary*, *supra* note 7.

⁶³ That is, the discriminatory measure may be in a statute, but it could also be in a regulation or other rule imposed by the Executive Branch. See Edward A. Laing, *Equal Access/Non-Discrimination and Legitimate Discrimination in International Economic Law*, 14 *WIS. INT’L L.J.* 246, 272 (1996) (noting that “the MFN standard has been firmly applied by the executive branch and the legislative branch”); see also Barbara A. Frey, *The Legal and Ethical Responsibilities of Transnational Corporations in the Protection of International Human Rights*, 6 *MINN. J. GLOBAL TRADE* 153, 171 (1997) (noting that the President and the Executive Branch have the power “to enforce U.S. policy through economic sanctions such as the revocation of most favored nation status, the suspension of economic and security assistance, and the vetoing of assistance from international financial institutions”).

⁶⁴ Claus-Dieter Ehlermann and Lothar Ehring, *WTO Dispute Settlement and Competition Law: Views from the Appellate Body’s Experience*, 26 *FORDHAM INT’L L.J.* 1505, 1527-28 (2002-2003).

While this fact pattern is somewhat unprecedented, the use of court decisions by WTO dispute-settlement panels as *illustrations* of the meaning of a particular provision of domestic law is quite common.⁶⁵ In some legal systems, a ruling by the highest court may also be considered as lawmaking, a practice not limited to common law systems.⁶⁶ In this case, the measure seems even more directly subject to scrutiny because it directly affects foreign copyright holders. As such, the MFN analysis of the proposed settlement should not rely on an analogy with measures that do not directly apply to rightsholders, such as European Union “directives”—essentially legislative instructions to the governments of the twenty-seven member States of the European Union to implement rather than rules that apply directly in the domestic legal order of each such states.⁶⁷

Exceptions

The MFN exemptions in Article 4 of TRIPS are as follows:

Any advantage, favour, privilege or immunity accorded by a Member:

- (a) deriving from international agreements on judicial assistance or law enforcement of a general nature and not particularly confined to the protection of intellectual property;
- (b) granted in accordance with the provisions of the Berne Convention (1971) or the Rome Convention authorizing that the treatment accorded be a function not of national treatment but of the treatment accorded in another country;
- (c) in respect of the rights of performers, producers of phonograms and broadcasting organizations not provided under this Agreement;
- (d) deriving from international agreements related to the protection of intellectual property which entered into force prior to the entry into force of the WTO Agreement, provided that such agreements are notified to the Council for TRIPS and do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members.⁶⁸

At first glance, none of these exemptions apply.

VI. CONCLUSION

Our *tour d’horizon* has perhaps raised more questions than it has provided answers. For example, while an opt-out does not amount to a per se violation of the Berne Convention, the conformity of the specific form of the opt-out clause in the Amended Settlement and its time-limited nature remain dubious. For any book that might be included in the Settlement without the rightsholder’s consent and not subject to an effective opt-out, a different set of rules likely applies, namely the compatibility of new forms of compulsory licensing with the three-step test. The focus on a proper and probably ongoing opt-out option is thus warranted.

⁶⁵ For a recent example, see Dispute Settlement Report, *China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, ¶ 7.51, WT/DS362/1 (Apr. 10, 2007) (trying to understand a provision of Chinese law, the Panel noted that the interpretation it favored was “consistent with, and clarified by, the view expressed by the Supreme People’s Court of China in the course of domestic litigation in 1998”).

⁶⁶ *Id.* ¶ 2.2 (examining the compatibility with the TRIPS Agreement of an “[i]nterpretation by the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues of Concrete Application of Law in Handling Criminal Cases of Infringing Intellectual Property”).

⁶⁷ See, e.g., Directive 2006/116/EC, of the European Parliament and of the Council of 12 December 2006, 2006 on the Term of Protection of Copyright and Certain Related Rights, 2006 O.J. (L 372) 12; Directive 2006/115/EC, of the European Parliament and of the Council of 12 December 2006 on Rental Right and Lending Right and on Certain Rights Related to Copyright in the Field of Intellectual Property, 2006 O.J. (L 376) 28; Directive 2004/48/EC, of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, 2004 O.J. (L 157) 45; Directive 2002/58/EC, of the European Parliament and of the Council of 12 July 2002 Concerning the Processing of Personal Data and the Protection of Privacy in the Electronic Communications Sector, O.J. (L 201) 37; Directive 2001/84/EC, of the European Parliament and of the Council of 27 September 2001 on the Resale Right for the Benefit of the Author of an Original Work of Art, 2001 O.J. (L 272) 32; and Directive 2001/29/EC, of the European Parliament and of the Council of 22 May 2001 on the Harmonization of Certain Aspects of Copyright and Related Rights in the Information Society, 2001 O.J. (L 167) 10. On the legal status of Directives, see KAREN DAVIES, UNDERSTANDING EUROPEAN UNION LAW 50 (3d ed. 2007).

⁶⁸ TRIPS Agreement, *supra* note 13, art. 4.

While there are few if any convincing arguments to support a claim based on a violation of national treatment in the Settlement and its class action structure, credible doubts emerge when the spotlight is turned towards the TRIPS most-favored-nation clause. Although I do not purport to offer a definitive analysis, it would seem beyond cavil that two groups of foreign rightsholders (Australia, Canada and UK in one group; all others in the other) are treated differently because the first group is included by default in the database. A disadvantage is thus imposed on one group of foreign rightsholders based on the nationality of its members when compared to groups of nationals of other WTO members and such disadvantage is imposed by a branch of the U.S. government and does not appear to be covered by any of the applicable MFN exemptions. This thus looks like a possible MFN violation, a matter which, if the Amended Settlement is finally adopted and remains in its current form (*vis-à-vis* the two groups of foreign rightsholders) will then be subject to scrutiny by a WTO dispute-settlement panel. Presumably, if rightsholders see the system established under Amended Settlement as positive in terms of access and scalability, they will flock voluntarily to Google for inclusion and the matter may become moot. Otherwise, the possibility of a WTO challenge is real.