Copyright Alert

Perfect 10 v. Google—Key Holdings: Website Framing Does Not Directly Infringe the Public Display Right; Image Search Engine Thumbnails Are Fair Use; and a New Test for Online Contributory Infringement

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How fast do things change in "Internet time"? That was in substance one of the questions posed in yesterday's Ninth Circuit decision in *Perfect 10 v. Google*, which considered *inter alia* whether a less-than-four-year-old fair use precedent validating an image search engine had been overtaken by subsequent events.

Not so fast, answered the Ninth Circuit, in a lengthy decision destined to provide important guidance to online enterprises on a range of Internet copyright issues.

Key holdings in the case

- Adopting the district court's "server" test, the Court of Appeals holds that a website that "frames" content by providing an in-line link to the copyright holder's site does not thereby engage in a public display or public distribution in violation of the copyright holder's rights because the framed content is not being stored on the framer's server.

- Reaffirming the principles articulated in *Kelly v. Arriba Soft*, 336 F.3d 811 (2003), the Ninth Circuit holds that Google's display of thumbnail images stored on its server in connection with Google's image search engine represents fair use, notwithstanding the possibility of economic harm arising from Perfect 10's marketing of thumbnails for use on cell phones.

- The Court enunciates a new test for secondary liability on the Internet: To be held contributorily liable, a computer system operator must have "**actual** knowledge that **specific** infringing material is available using its system" and "continue[] to provide access to infringing works" notwithstanding that it could "take simple measures to prevent further damage" to the copyright holder.

Case background

Plaintiff Perfect 10 distributes copyrighted photographs of nude models via its adult website and magazine, and as downloadable cell phone wallpaper. Many of these images have been copied and displayed on third-party websites without Perfect 10's permission. Those third-party websites are cataloged by Google's search engine.

In 2004, Google launched an image search function. In response to searches for various terms, Google displays results as a grid array of thumbnail-sized images, stored on Google's servers. Clicking on a thumbnail opens a new window with a Google heading at the top, a link to the original site where the image can be found, and a large section of the web page below that displays a full-size image of the underlying web page, framed within the Google-generated page. The full-size image is not stored on Google's servers, but is transmitted directly to the Internet user's computer as the result of an "in-line link" that Google delivers to the user.

Perfect 10 filed suit against Google and others, alleging *inter alia* that Google's display of thumbnail images and its framing of the underlying infringing websites constituted direct, contributory and vicarious copyright infringement. The district court granted in part Perfect 10's motion for a preliminary injunction, holding: (1) Google's framing of full-sized Perfect 10 images did not violate Perfect 10's display right; (2) the display of thumbnail copies for search purposes did represent direct copyright infringement and was not protected as fair use; (3) Google was not liable for contributory infringement because the search capacity does not "materially contribute" to the underlying infringements; and (4) Google was not vicariously liable because it exercised no control over infringing activity.

In a victory for Google, Circuit Judge Sandra S. Ikuta (joined by Judges Cynthia Holcomb Hall and Michael Daly Hawkins) adopted the district court's framing analysis; reversed the adverse fair use holding on the thumbnail images; remanded for consideration of a new test for contributory infringement; and upheld the no vicarious liability holding.

Preliminary injunction: Plaintiff's burden of proof on fair use

Addressing a threshold matter not previously resolved in the Ninth Circuit, the panel considered whether plaintiff or defendant bears the burden of proof as to the fair use defense in preliminary injunction proceedings. Although the defendant must produce evidence in support of fair use in responding to a preliminary injunction motion, in that context, the court held, the copyright holder bears the burden of showing it is likely to succeed in defeating the defense.

Framing: No direct infringement of display and distribution rights

From the perspective of the end-user, when an image search is performed, it may look as though Google is displaying the web page containing the infringing photo, and Perfect 10 alleged that such framed images therefore violated its exclusive display and distribution rights. Google responded that the framed images were not Google's displays, because in reality all that Google was presenting was a link that would allow the end user's browser to integrate part of a web page from Google with a portion of the original web page which is transmitted to the end-user from the original website, not from Google.

No case prior to *Perfect 10 v. Google* had determined whether framing constitutes direct copyright infringement. The district court squarely held it does not, and the Ninth Circuit affirmed. Adopting the "server test," the Court held that "the owner of a computer that does not store and serve the electronic information to a user is not displaying that information, even if such owner in-line links to or frames the electronic information." This is so, however it may appear to end-users: "While in-line linking and framing may cause some computer users to believe they are viewing a single Google webpage, the Copyright Act, unlike the Trademark Act, does not protect a copyright holder against acts that cause consumer confusion."

Applying essentially the same analysis, the Court also held that framing does not violate the distribution right, because distribution requires the "actual dissemination" of a copy. Moreover, the doctrine of "deemed distribution" would not be applied where Google does not maintain a collection of stored full sized images.

Thumbnails are fair use

Google copied, stored on its own servers, and displayed thumbnails in the course of showing image search results, but maintained that such actions were fair use when performed to enable an image search engine. The Ninth Circuit had squarely so held in its 2003 decision in *Kelly v. Arriba Soft*. Notwithstanding, the district court held that Google's use was not fair because (1) Google derived economic benefit from the infringing displays as a result of its AdSense program; and (2) Google's use harmed Perfect 10's own market for thumbnail-sized images, a market created pursuant to a licensing scheme for cell phone wallpaper entered into after the beginning of the litigation. The district court gave great weight to the potential harm to Perfect 10's possible sales under the fourth fair use factor. But the Ninth Circuit reversed, determining that the lower court erred by giving insufficient weight to the highly transformative nature of the search engine use and to the "great value" the use provides to the public.

On the remaining fair use factors, the Court (1) downplayed the significance of the creative nature of Perfect 10's works, on the reasonably well-established ground that they had previously been published; (2) held that copying the entirety of the photographs did not weigh heavily against Google in light of the need to do so in order to effect the transformational purpose of the search engine; and (3) held that the claim of economic harm would be given only slight weight insasmuch as Perfect 10 had not provided proof that any infringing downloads from Google searches to cell phones had actually taken place.

Secondary liability: Contributory infringement?

The Court next considered whether Google might be contributorily liable for third-party infringements because it inline-linked to infringing full-sized images. A finding of contributory copyright infringement requires that (i) there be an underlying direct infringer, and that, (ii) with knowledge of the underlying infringement, the alleged contributory infringer (iii) materially assist in the infringement.

In an interesting spin based on the Supreme Court's decision in *MGM v. Grokster*, 545 U.S. 913 (2005), the Court of Appeals examined the knowledge element and considered whether "intent may be imputed." The Court stated in *dicta* that "under *Grokster*, an actor may be contributorily liable for intentionally encouraging direct infringement if the actor knowingly takes steps that are substantially certain to result in such direct infringement." This, however, is not the test that the Court promulgated for contributory liability in cyberspace. In that context, at least, the Ninth Circuit held: "a computer system operator can be held contributorily liable if it 'has **actual** knowledge that **specific** infringing material is available using its system,' [cite], and can 'take simple measures to prevent further damage' to copyrighted works, [cite], yet continues to provide access to infringing works." (Original emphasis.)

Because there were factual disputes between the parties relating to these considerations, which the district court had not resolved, the Ninth Circuit remanded for further consideration in light of the newly-enunciated test.

No vicarious liability

Here, again, the Court of Appeals adopted the district court's reasoning. Vicarious liability requires *inter alia* that the defendant has the right and ability to supervise and control the infringing activity. But, the Court observed, Google has no contracts with the infringing websites that would empower Google to stop or limit them from reproducing, displaying or distributing infringing copies of Perfect 10's works; neither does Google have the ability to terminate or block these infringing activities on the third-party sites. The mere ability of Google to not link at all to the third party site did not qualify as the ability to control it. Perfect 10 therefore fails to prove this element.

Digital Millennium Copyright Act

Finally, the Court noted that Google claimed immunity from liability under the DMCA safe harbor for providers of information location tools. (17 U.S.C. § 512(d).) Since the district court never reached the parties' arguments pertaining to this immunity, the Ninth Circuit suggested that on remand the court consider whether Perfect 10 is likely to succeed in showing that Google is not entitled to the benefit of the safe harbor.

Conclusion

Perfect 10 v. Google appears to create some new areas of legal uncertainty, particularly in connection with its contributory infringement analysis. What qualifies as "actual knowledge that specific infringing works are available"? What are "simple measures" to disable availability? But the case provides a clear answer to the important question of direct liability for framing and appears, at least in the Ninth Circuit, to settle the fair use issues connected with thumbnail copying for image search engines.

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