

Perfect 10 v. Google

On May 16, 2007, the U.S. Court of Appeals for the Ninth Circuit issued a decision in *Perfect 10 v. Google*, siding with Google on most points. A ruling against Google could have had an adverse impact against search engines and the overall operation of the Internet.

I. Facts.

Perfect 10, a publisher of erotic magazines and websites, had alleged that Google directly infringed by displaying thumbnail images of Perfect 10 photos in its image search results. Perfect 10 also claimed that the search firm directly infringed its copyrights by linking to third party websites that displayed full-sized infringing images. Further, Perfect 10 alleged that Google was secondarily liable for linking to these infringing images.

The district court ruled that Google was not directly or secondarily liable for linking to the full sized images. However, the court ruled that Google was directly liable for displaying the thumbnails, and rejected Google's fair use defense. Specifically, the district court distinguished this case from *Kelly v. Arriba Soft*, 336 F.3d 811 (9th Cir. 2003), on the grounds that the thumbnails displaced downloads that Perfect 10 was selling to cellphone users; and that Google derived revenue from the AdSense program, under which it may have placed ads on the infringing websites. In the appeal, numerous trade associations representing the information technology industry filed *amicus* (friend-of-the-court) briefs in support of Google. At the same time, numerous entertainment industry associations filed briefs arguing for reversal of the district court's ruling that a link did not constitute a display.

II. Holding.

The Ninth Circuit affirmed some of the district court's rulings while

reversing others. As noted above, most of these holdings favored Google.

A. Holdings Favoring Google.

1. The Ninth Circuit affirmed the district court ruling that Google did not display or distribute the full sized images when it linked to them. Relying on the Copyright Act's definition for "to display the copyrighted work publicly," Perfect 10 argued that Google's link was a display because the link transmitted the image to the user's computer. The Ninth Circuit, like the district court before it, looked closely at the actual technology involved. It noted that Google did not store a full-sized copy in its server. Instead, it provided HTML instructions that directed the user's browser to the third party site the stored the full-sized image. The Ninth Circuit concluded that "providing [] HTML instructions is not equivalent to showing a copy." The court explained, "HTML instructions do not themselves cause infringing images to appear on the user's computer screen. The HTML merely gives the address of the image to the user's browser. The browser then interacts with the computer that stores the infringing image. It is this interaction that causes an infringing image to appear of the user's computer screen." The court observed that Google may facilitate the user's access to infringing images, but such facilitation raises secondary liability issues, not direct liability.

This ruling obviously is very helpful to the functioning of the Internet. Linking is a basic Internet technology, and if a link constituted a display, then everyone person who linked engaged in direct infringement.

2. With respect to the thumbnail images that Google did display in its search results, the Ninth Circuit reversed the district court's rejection of Google's fair use defense. The Ninth Circuit strongly reaffirmed *Kelly v. Arriba Soft*, and rejected the district court's distinguishing of *Kelly* on the

basis of the AdSense program and the cellphone down loads. The court found that there was no evidence that the Google thumbnails superseded the cellphone downloads. Further, the court found no evidence that AdSense revenue derived from infringing sites was commercially significant. At the same time, the court found that Google's use of the thumbnails was "highly transformative." In fact, the court went so far as to say that "a search engine may be more transformative than a parody," the quintessential fair use, "because a search engine provides an entirely new use for the original work, while a parody typically has the same entertainment purpose as the original work." Accordingly, the court "conclude[d] that the significantly transformative nature of Google's search engine, particularly in light of its public benefit, outweighs Google's superseding and commercial uses of the thumbnails in this case."

The district court's rejection of Google's fair use defense on account of its Ad-Sense program threatened the advertisement-based business models of search engines. Likewise, the district court's focus on the hypothetical harm caused to emerging cellphone download market endangered the entire image search market, because any photographer or visual artist could make the same assertion. The Ninth Circuit's reversal of the district court's fair use holding, therefore, is critical to the future of search engines.

Additionally, the Ninth Circuit's view that search engines are highly transformative, and that their social benefit overwhelms hypothetical harm to the copyright owner in the fair use calculus, could be helpful to Google in its litigation concerning the Google Library Project.

3. With respect to vicarious liability, the Ninth Circuit affirmed the district court holding that Google did not have the right and ability to

supervise the infringing activity on the third party websites. The court found that “Google cannot terminate those third-party websites or block their ability to host and serve infringing full-sized images on the Internet.”

4. The Ninth Circuit affirmed the district court's finding that the cache copy made by a user's browser is a fair use. This ruling is not central to this case, but has far-reaching implications. The issue only arose because to prove secondary liability for Google, Perfect 10 needed to show that there was an underlying direct infringement by a third person. Perfect 10 argued that there were three possible direct infringement: the third party websites' unauthorized display of Perfect 10's images; users printing out images from these websites; and users making temporary copies of these images in the random access memory (RAM) of their computers while viewing these sites. The Ninth Circuit agreed that the unauthorized display of the images was infringing, but found that there was no evidence that users printed out the images. Further, it agreed with the district court that the RAM copies were a fair use. While it was long assumed that the RAM copies made by users browsing the Internet was a fair use, this is the first time a circuit court has so held. As with its ruling that a link is not a display, and that a search engine's display of thumbnails is a fair use, the Ninth Circuit here has given the green light to a basic Internet activity.

5. The Ninth Circuit affirmed the district court's holding that at the preliminary injunction stage, Perfect 10 had the burden of demonstrating a likelihood of overcoming Google's fair use defense.

6. The Ninth Circuit found that the U.S. Supreme Court's decision in *MGM v. Grokster*, 125 S. Ct. 2764 (2005), changed the standards for contributory infringement to require a showing of *intentionally* making a material contribution to infringement, rather than just *knowingly* making a

material contribution. The Ninth Circuit reconciled its 2001 decision in *A&M Records v. Napster*, 239 F.3d 1004 (9th Cir. 2001), with this new standard, saying that intent can be imputed where a computer system operator has actual knowledge that specific infringing material is available using its system, it can take simple measures to prevent further damage to copyrighted works, yet continues to provide access to infringing works.

B. Holdings Favoring Perfect 10.

The Ninth Circuit's one holding against Google concerned the material contribution prong of the test for contributory infringement. The district court had found that Google's linking to third party sites containing infringing content did not materially contribute to the infringement of the content. Not surprisingly, the Ninth Circuit reversed. It stated: "There is no dispute that Google substantially assists websites to distribute their infringing copies to a worldwide market and assists a worldwide audience of users to access infringing materials. We cannot discount the effect of such a service of copyright owners, even though Google's assistance is available to all websites, not just infringing ones. Applying our test, Google could be held contributorily liable if it had knowledge that infringing Perfect 10 images were available using its search engine, could take simple measures to prevent further damage to Perfect 10's copyrighted works, and failed to take such steps."

The Ninth Circuit remanded the case to the district court to give Perfect 10 the opportunity to prove its likelihood of success under this standard. The district court then must determine whether Perfect 10 would likely succeed in showing that Google was not entitled to the limitations on remedies provided by the Digital Millennium Copyright Act. (Perfect 10 claimed that Google did not expeditiously remove the links to infringing

websites; Google countered that Perfect 10's takedown notices did not contain the specificity required by the DMCA.)

Amazon was also a party to this litigation, because Amazon provides users with a link to Google search results. (It appears to Amazon users that Amazon is supplying the search results, but Google actually supplies them.) The Ninth Circuit found that the same contributory infringement issues apply to Amazon as to Google, and remanded them to the district court for further consideration.