

**Maryland State Bar Association Intellectual Property Section
First Annual Intellectual Property Law Update**

**Ninth Circuit Finds Google's Display
Of Thumbnail Images
A Fair Use And Not Copyright
Infringement.**

In *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701 (9th Cir. 2007), the U.S. Court of Appeals for the Ninth Circuit held that Google was not liable for copyright infringement for displaying thumbnail images of full-sized infringing photographs located on third-party websites. The Ninth Circuit considered Google's potential liability under the theories of direct, contributory and vicarious copyright infringement. Following *Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003), the Court found that Google's display of these thumbnail images is a protected fair use under 17 U.S.C. § 107. The Court also found Google not liable for direct copyright infringement for its in-line linking to infringing third-party websites; however, the Court did remand the case to the District Court for a determination as to liability for secondary copyright infringement by Google and Amazon.com.

Background

Perfect 10, Inc. operates a subscription based website wherein it markets and sells copyrighted images of nude models. As a part of its business, Perfect 10 also sells and distributes reduced-size copies of its copyrighted images for download and use on cellular phones. Not surprisingly, there are some website publishers who infringe Perfect 10's copyrights and republish unauthorized copies of Perfect 10's images.

Google, Inc. operates a search engine that automatically accesses and indexes thousands of websites. As a part of its services, Google's search engine also conducts image searches through "Google Image Search" and provides search results as a webpage of small images called thumbnail images which are

stored on Google's servers. Google's search engine may automatically access and index those websites which contain the unauthorized copies of Perfect 10's images and provide thumbnail versions these images in response to search inquiries. Amazon.com, Inc. provides a similar search service that utilizes Google's search engine and frames it in an Amazon page.

As early as May 2001, and continuing through 2005, Perfect 10 sent notices to Google informing that the thumbnail images and in-line linking to the full-size images on these unauthorized websites infringed Perfect 10's copyright.

In November 2004, Perfect 10 filed suit against Google in the U.S. District Court for the Central District of California for copyright infringement based on Google's display of thumbnail images of Perfect 10's copyrighted photographs and Google's provision of in-line links to websites that contain unauthorized copies of Perfect 10's copyrighted images. A similar suit was filed against Amazon.com in June 2005. Perfect 10 sought preliminary injunctions in both suits which were ultimately consolidated in November 2005.

The District Court denied the preliminary injunction against Amazon.com. Interestingly, however, it did issue a preliminary injunction against Google from displaying the thumbnail images but not from linking to third party websites that contain the full-size images. The Ninth Circuit vacated the preliminary injunction against Google and remanded the case for further consideration of Google's links to infringing third-party websites.

Google's use of thumbnail copies of fill-size images a protected fair use

The Ninth Circuit determined that Google's communication of the stored thumbnail images directly infringes Perfect

10's display rights. Nevertheless, the Court also found that communication of the stored thumbnail images is a protected fair use under 17 U.S.C. § 107. In reaching this conclusion, the Court applied the four statutory fair use factors, primarily focusing its analysis on the first factor – the purpose and character of the use.

Of central importance to the purpose and character of a work is whether and to what extent the new work is transformative. The Court found Google's use of the thumbnail images in its search engine to be highly transformative. "A search engine provides a social benefit by incorporating an original work into a new work, namely, an electronic reference tool . . . a search engine may be more transformative than a parody 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." *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701 at 721. Consistent with its earlier decision in *Kelly* the Court found that even though Google incorporates Perfect 10's entire copyrighted images into its search engine results, this fact does not diminish the transformative nature of Google's use.

The Ninth Circuit disagreed with the District Court's holding that Google's use of thumbnails was less transformative because such use superceded Perfect 10's right to sell reduced-size images for use on cellular phones, noting that no evidence was presented to prove that any such use had occurred. *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701 at 724. Briefly commenting on the fourth fair use factor – the effect of the use upon the potential market for or value of the copyrighted work – the Court followed *Kelly* in holding that Google's use of the thumbnails does not effect Perfect 10's market for its full-size images. After weighing all four factors the Ninth Circuit concluded that Google's use of the thumbnail images is a protected fair use under 17 U.S.C. § 107.

The Ninth Circuit also upheld the District Court's finding that Google does not violate Perfect 10's distribution rights in the full-size images. The Court noted that "Google's search engine communicates HTML instructions that tell a user's browser where to find the full-size images on a website publisher's computer, but Google does not itself distribute copies of the infringing photographs." *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701 at 718. The Court distinguished this case from *A & M Records v. Napster, Inc.*, 239 F.3d 1004 (9th Cir, 2001), because Google does not own a collection of the full-size images and thus does not communicate the images to other people's computers.

Secondary Liability for Contributory Infringement

Through its secondary liability analysis, the Ninth Circuit left open the possibility that Google may be found liable for contributory infringement for directing users to websites that contain unauthorized copies of Perfect 10's copyrighted images.

Drawing from its contributory infringement test set forth in *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 929-30 (2005), the Ninth Circuit announced a new test for contributory liability stating that "a computer system operator can be held contributorily liable if it 'has actual knowledge that specific infringing material is available using its system,' *Napster*, 239 F.3d at 1022, and can 'take simple measures to prevent further damage' to copyrighted works, *Netcom*, 907 F.Supp. at 1375, yet continues to provide access to infringing works." *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701 at 729. The Court went on to note that "[a]pplying 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." *Id.*

The Ninth Circuit also determined that Google's relationship with the websites it links to through its search engine does not provide the level of control required for vicarious infringement noting that Perfect 10 had "not demonstrated a likelihood of showing that Google has the legal right to stop or limit the direct infringement of third-party websites." *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701 at 730.

Conclusion

The Ninth Circuit made clear that the use of thumbnail versions of copyrighted images in association with a search engine is a protected fair use, due to its transformative nature and also in part due the social benefits provided by the service. It is not, however, evident from the decision that a similar use that does not possess the social benefits would also be deemed a fair use. Additionally, in-line linking to websites that contain infringing images does not rise to the level of direct infringement but may however be enough to create secondary liability for contributory infringement if the provider is on actual notice of the infringing activity.