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PERFECT 10 v. AMAZON.COM: A STEP TOWARD COPYRIGHT'S TORT LAW ROOTS

By Meng Ding

I. INTRODUCTION

“With great power comes great responsibility.”¹ The Ninth Circuit Court of Appeals apparently believed so in *Perfect 10, Inc. v. Amazon.com, Inc.*² The internet brings to the public unprecedented access to information. Internet search engines allow users to find information quickly and more accurately. However, some of the information the search engines locate consists of copyright-infringing material. Internet search engines’ liability in such a situation presents an interesting and challenging problem for the courts. In *Perfect 10*, the Ninth Circuit held that internet search engine Google Inc. (“Google”) was not liable for providing users with “thumbnail” versions of Perfect 10 Inc.’s (“Perfect 10”) copyrighted photographic images of nude models.³ While Google’s storing and displaying of such thumbnail images could have constituted direct infringement of Perfect 10’s copyrights, the Ninth Circuit concluded that such use was transformative and therefore likely a fair use under the Copyright Act of 1976.⁴ On the issue of Google’s contributory liability, the Ninth Circuit held that Google substantially assisted infringing websites to distribute their infringing copies to a worldwide market and assisted a worldwide audience to access infringing materials.⁵ The court remanded the case to the district court to find whether Google had knowledge of the infringing images accessible through its search engine and could have, but did not take “simple measures” to prevent further damage to Perfect 10’s copyrighted works.⁶

The *Perfect 10* decision sets a favorable standard for internet search engines on the “transformative” nature of an appropriation of a copyrighted work. The Ninth Circuit ruled that because Google used the “thumbnail” images for facilitating information searches, a purpose other

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1. The last lines of Peter Parker, the Spider-Man. SPIDER-MAN (Columbia Pictures 2002).

2. 508 F.3d 1146 (9th Cir. 2007), *modifying* 487 F.3d 701 (9th Cir. 2007). The later opinion modified the discussion on the burden of proof for copyright fair use.

3. *Id.* at 1168.

4. *Id.*

5. *Id.* at 1172.

6. *Id.*

than the purpose for which the images were initially intended (which was consumption by internet users), the use of such “thumbnail” images is protected under the copyright fair use doctrine.⁷ The Ninth Circuit’s fair use determination was undoubtedly a victory for the internet search engine giant. In deciding in favor of Google, the Ninth Circuit emphasized the public benefits Google’s search engine provided in enabling the public to find and access information.⁸

On the question of contributory liability, the Ninth Circuit tried to steer the copyright contributory liability standard back to the well-established framework rooted in tort law.⁹ Although the court could have easily ruled against a finding of contributory liability under the jurisprudence of both *Sony Corporation v. Universal City Studios, Inc.*¹⁰ and *MGM Studios Inc. v. Grokster, Ltd.*,¹¹ the court rightly declined to do so. The “simple measures” standard¹² that the Ninth Circuit articulated for the remand resonates with the “reasonable alternative design” approach¹³ in product liability tort cases. The Ninth Circuit’s opinion indicates that the court found it difficult to apply *Sony*’s legacy “staple article of commerce” doctrine¹⁴ to cases involving internet technologies and was reluctant to apply it. Although the standard articulated by the Ninth Circuit in *Perfect 10* is not yet perfect and adds uncertainty to the outcome of the case on remand, it marks a significant effort by the court for returning the copyright contributory liability analysis onto the right course.

This Note focuses on the two important issues presented by *Perfect 10*: fair use and contributory liability. Part II provides backgrounds on both issues. Part III provides a short case summary on *Perfect 10*. Part IV presents analysis on both fair use and contributory liability within the context of the case. Part V concludes that *Perfect 10* continues the trend of liberal interpretation of the copyright fair use doctrine and marks the Ninth Circuit’s effort to steer the copyright contributory liability jurisprudence to its tort law roots.

7. *Id.* at 1165.

8. *Id.* at 1166.

9. See Peter S. Menell & David Nimmer, *Unwinding Sony*, 95 CALIF. L. REV. 941, 994 (2007) [hereinafter *Unwinding Sony*].

10. 464 U.S. 417 (1984).

11. 545 U.S. 913, 937-41 (2005).

12. *Perfect 10*, 508 F.3d at 1172.

13. See *Unwinding Sony*, *supra* note 9, at 1010, 1012, 1018.

14. *Sony*, 464 U.S. at 442.

II. BACKGROUND

A. Copyright's Fair Use Doctrine

The Copyright Act protects the copyright owner's exclusive rights, including the right to reproduce, distribute, and display her copyrighted work.¹⁵ At the same time, the Copyright Act puts certain limitations on these exclusive rights and provides fair use as an affirmative defense for infringement of copyrighted materials.¹⁶ The rationale behind the fair use protection is that fair use fulfills copyright's very purpose of "[promoting] the progress of Science and useful Arts."¹⁷ It has long been recognized that new and original works are almost always built upon previous works.¹⁸ Consequently copyright law embodies an inherent tension in the need to simultaneously protect copyrighted material and allow others to build upon it.¹⁹

American courts have long recognized the fair use doctrine without explicit reference to it.²⁰ In 1841, in *Folsom v. Marsh*, Justice Story stated: "So, it has been decided that a fair and bona fide abridgment of an original work, is not a piracy of the copyright of the author."²¹ Until the Copyright Act of 1976, fair use remained an "exclusively judge-made doctrine."²² The Supreme Court stated that the fair use doctrine "permits [and requires] courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster."²³

15. 17 U.S.C. § 106 (2000).

16. 17 U.S.C. § 107 (2000). The Act enumerates several non-exclusive uses of copyright materials as examples of fair use: "criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research." *Id.* See also 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05 (2007) [hereinafter NIMMER ON COPYRIGHT].

17. U.S. CONST. art. I, § 8, cl. 8; *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 575 (1994).

18. *Emerson v. Davies*, 8 F. Cas. 615, 619 (C.C.D. Mass. 1845) (No. 4,436) ("In truth, in literature, in science and in art, there are, and can be, few, if any, things, which, in an abstract sense, are strictly new and original throughout. Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before.").

19. *Campbell*, 510 U.S. at 575.

20. *Id.* at 575-65.

21. *Folsom v. Marsh*, 9 F. Cas. 342, 345 (C.C.D. Mass. 1841) (No. 4,901).

22. *Campbell*, 510 U.S. at 576.

23. *Id.* at 577 (quoting *Stewart v. Abend*, 495 U.S. 207, 236 (1990)).

The Copyright Act provides four factors to be considered in a fair use determination:²⁴

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational use;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole and;
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

The Supreme Court explicated these factors in a series of decisions including the landmark case *Campbell v. Acuff-Rose Music, Inc.*²⁵ According to the Court, the four statutory factors should not be treated in isolation, but rather, “[a]ll are to be explored, and the results weighed together, in light of the purposes of copyright.”²⁶ In other words, courts must not simplify the factors with bright-lines rules; instead, the statute calls for “case-by-case analysis.”²⁷ In practice this amorphous analysis standard has made it difficult for courts to apply fair use doctrine consistently.

The first factor balances the transformative nature of the infringing use and its commercial use.²⁸ In general, transformative character weighs in favor of fair use and commercial purpose weighs against it.²⁹ The *Campbell* Court expressly rejected the notion that “every commercial use of copyrighted material is presumptively . . . unfair”³⁰ Nonetheless, the standards for the “transformative nature” adopted by the courts have been far from uniform. In *Campbell* the Court stated that transformative means that instead of “merely superseding” the objects of the original creation, the new work “adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.”³¹ Under such a guide, the *Campbell* Court decided that parody could qualify for fair use because parody conjured up and commented on the original work.³² In the same opinion, however, the *Campbell* Court held that satire,

24. 17 U.S.C. § 107 (2000).

25. See *Campbell*, 510 U.S. at 576-77; see also *Stewart v. Abend*, 495 U.S. 207, 237 (1990); *Harper & Row, Publ'rs, Inc. v. Nation Enters.*, 471 U.S. 539, 560-61 (1985); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 447-48 (1984).

26. *Campbell*, 510 U.S. at 578.

27. *Id.* at 577.

28. *Id.* at 578-79.

29. *Id.*

30. *Id.* at 583-84 (quoting *Sony*, 464 U.S. at 451).

31. *Id.* at 578-79, 588.

32. *Id.* at 588.

which often aims at lampooning or ridiculing the society at large and not commenting on the original work, needed more justification for fair use protection.³³ The dichotomy in the *Campbell* Court's reasoning regarding parody and satire indicated that an appropriation of a copyrighted work simply for a different purpose (e.g. satirizing the society at large) without commenting on the original work deserved less protection from the fair use doctrine. In comparison, the Supreme Court ruled in *Sony* that the home taping of a television program for time-shifting viewing was a fair use although it only served a different purpose; the taping was an exact copy of the original program and arguably did not add anything new or alter the original "with new expression, meaning, or message."³⁴ Also, in a recent case, *Bill Graham Archives v. Dorling-Kindersley Ltd.*, the Second Circuit ruled that the defendants' complete reproduction of seven of the plaintiff's graphic images in a biography constituted fair use.³⁵

For the second statutory factor, "the nature of the copyrighted work," the *Campbell* Court recognized that fair use was difficult to establish for copying certain types of copyrighted works such as artistic, creative, and expressive works which "are closer to the core of intended copyright protection than others."³⁶ Under this standard, copying novels arguably should be subject to more stringent fair use scrutiny than copying factual compilations; copying un-published work should be subject to more stringent scrutiny than copying published work; and copying Mozart's symphony should be subject to more stringent scrutiny than copying a grocery list.³⁷

For the third factor, "the amount and substantiality of the portion used in relation to the copyrighted work as a whole," the *Campbell* Court looked at whether there was a "reasonable" relation between the "quantity and value of the materials used" and the "purpose of the copying."³⁸ In

33. *Id.* at 581.

34. *Campbell*, 510 U.S. at 579; *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442-47 (1984).

35. *Bill Graham Archives v. Dorling-Kindersley Ltd.*, 448 F.3d 605 (2d Cir. 2006).

36. *Campbell*, 510 U.S. at 586.

37. *See* 4 NIMMER ON COPYRIGHT § 13.05[A][2] (positing that the comparisons may include: contrasting fictional short story with factual works, contrasting soon-to-be-published memoir with published speech, contrasting motion pictures with news broadcasts, and contrasting creative works with bare factual compilations); *see also* David Nimmer, "Fairest of Them All" and Other Fairy Tales of Fair Use, 66 LAW & CONTEMP. PROBS. 263, 284-85 (2003) [hereinafter Nimmer, *Fairest of Them All*]; Pamela Samuelson, *Mapping the Digital Public Domain: Threats and Opportunities*, 66 LAW & CONTEMP. PROBS. 147, 150 (2003).

38. *Campbell*, 510 U.S. at 586.

Harper & Row v. Nation Enterprises,³⁹ the Supreme Court found that a publishing house's verbatim copying of about 300 words from President Ford's unpublished memoir constituted the "heart" of the work and was not fair use.⁴⁰ On the other hand, for parody, taking the "heart" of the original work may not be excessive.⁴¹ Further, in *Kelly v. Arriba Soft Corporation*, the Ninth Circuit ruled that even an exact replication of a work was reasonable so long as the copy serves a different function than the original work.⁴²

The fourth factor, the "market harm" factor, calls attention to the harm done to both the original and derivative markets.⁴³ The *Campbell* Court recognized that for original market harm, when the use is transformative, "market substitution is at least less certain, and market harm may not be so readily inferred."⁴⁴ The derivative market harm analysis requires courts to consider whether unrestricted and widespread conduct "would result in a substantially adverse impact on the potential market for the original."⁴⁵ The Court also established that "[t]he market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop."⁴⁶

The outcomes of fair use cases have been far from uniform.⁴⁷ The amorphous range of standards different courts adopted also indicates that the codification of the fair use four factors did not create a rigid framework for the fair use determination. In fact, Congress meant the codified fair use doctrine "to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way" and intended that the courts continue the common-law tradition in their fair-use adjudication.⁴⁸ Because of the subjectivity and the malleability associated with the four factors, the variation in fair use outcomes is not surprising.⁴⁹ For the foreseeable fu-

39. 471 U.S. 539 (1985).

40. *Id.* at 565, 569.

41. *Campbell*, 510 U.S. at 588.

42. *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 818-19 (9th Cir. 2003).

43. *Campbell*, 510 U.S. at 590.

44. *Id.* at 591.

45. *Id.* at 590.

46. *Id.* at 592.

47. For a general survey of the fair use cases after the Supreme Court ruling in *Campbell*, see Nimmer, *Fairest of Them All*, *supra* note 37.

48. *Campbell*, 510 U.S. at 577 (quoting H.R. REP. No. 94-1476, p. 66 (1976) and S. REP. No. 94-473, p. 62 (1975)).

49. See Nimmer, *Fairest of Them All*, *supra* note 37.

ture, the courts will most likely stick to the liberal reading of the four factors in deciding copyright fair use case.⁵⁰

B. Secondary Liability Standards

Secondary liability typically includes both contributory liability and vicarious liability.⁵¹ Before secondary liability can be asserted, there must be direct infringement by a third party.⁵² Traditionally, a contributory infringer was defined as “one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another”⁵³ The “knowledge” requirement did not necessarily mean actual knowledge; constructive knowledge (having reasons to know) was sufficient.⁵⁴ “[O]ne may be vicariously liable if he has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities.”⁵⁵

Copyright liability originated from tort liability principles,⁵⁶ which included the idea of joint liability between direct and indirect infringers.⁵⁷ When enacting the Copyright Act of 1976, Congress maintained the common law concept of contributory liability and employed the phrase “to do and to authorize” to refer to the exclusive rights of a copyright owner.⁵⁸ Congress made it clear that the use of the phrase “to authorize” was intended to “avoid any questions as to the liability of contributory infring-

50. See e.g., Jeannine M. Marques, *Fair Use in the 21st Century: Bill Graham and Blanch v. Koons*, 22 BERKELEY TECH. L.J. 331, 354 (2007).

51. *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1168-69 (9th Cir. 2007).

52. *A&M Records v. Napster, Inc.*, 239 F.3d 1004, 1013 n.2 (9th Cir. 2001).

53. *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

54. *Id.*

55. *Id.*; see also *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354, 355 (7th Cir. 1929) (“[T]he owner of a dance hall at whose place copyrighted musical composition are played in violation of the rights of the copyright holder is liable, if the playing be for the profit of the proprietor of the dance hall.”).

56. See *Ted Browne Music Co. v. Fowler*, 290 F. 751, 754 (2d Cir. 1923); *Lawrence v. Dana*, 15 F. Cas. 26, 61 (C.C.D. Mass. 1869); *Unwinding Sony*, *supra* note 9, at 994.

57. *Fishel v. Lueckel*, 53 F. 499, 500 (S.D.N.Y. 1892); *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F. Supp. 399, 403 (D.N.Y. 1966) (holding that common law concepts of tort liability are relevant in fixing the scope of the statutory copyright remedy, and that one who knowingly participates in or furthers a tortious act is jointly and severally liable with the prime tortfeasor is applicable in suits arising under the Copyright Act.).

58. 17 U.S.C. § 106 (2000) (“the owner of copyright under this title has the exclusive rights to do and to authorize any of the following . . .”).

ers.”⁵⁹ Congress also adopted the common law vicarious liability principle of “control” plus “financial interest” in copyright law.⁶⁰ However, the Supreme Court’s ruling in *Sony Corporation v. Universal City Studios, Inc.*,⁶¹ in 1984, only a few years after the Copyright Act went into effect, ignored this well-established tort law principle of secondary liability in copyright protection and adopted the “staple article of commerce” doctrine borrowed from the Patent Act⁶² without adequate justification.⁶³ Twenty years of confusion over the copyright secondary liability standard ensued.

1. *The Sony Standard on Contributory Liability*

*Sony Corporation v. Universal City Studios, Inc.*⁶⁴ is a landmark case in the development of copyright secondary liability. Sony developed video tape recording format Betamax in the 1970s.⁶⁵ Motivated by fear of potential infringement, Universal Studios sued Sony for contributory infringement because Sony provided individual Betamax consumers the tools for infringement.⁶⁶ The Central District Court of California ruled for Sony, but on appeal the Ninth Circuit reversed, finding Sony liable for secondary infringement.⁶⁷ The Supreme Court granted certiorari.⁶⁸ In early drafts of the opinion, the Supreme Court affirmed the Ninth Circuit’s decision because the case fit the traditional scope of contributory infringement.⁶⁹ However, a slim majority of the Supreme Court gradually gravitated toward shielding Sony from liability.⁷⁰ Several justices looked to the Patent

59. H.R. REP. No. 94-1476, at 61 (1976) (“For example, a person who lawfully acquires an authorized copy of a motion picture would be an infringer if he or she engages in the business of renting it to others for purposes of unauthorized public performance.”); see also *Unwinding Sony*, *supra* note 9, at 995.

60. H.R. REP. No. 94-1476, at 159-60 (1976); see also *Unwinding Sony*, *supra* note 9, at 995-96.

61. *Sony*, 464 U.S. 417 (1984).

62. See 35 U.S.C. § 271(c) (2000) (selling of a patented invention that is a staple article or commodity of commerce suitable for substantial noninfringing use is not contributory infringement).

63. 464 U.S. 417 (1984). For a comprehensive study of the Court’s adaptation of the “staple article of commerce” doctrine into copyright law, see *Unwinding Sony*, *supra* note 9.

64. *Sony*, 464 U.S. 417 (1984).

65. *Id.* at 419-20.

66. *Id.*

67. *Id.* at 420.

68. *Id.* at 421.

69. See *Unwinding Sony*, *supra* note 9, at 964-65; see also *Sony*, 464 U.S. at 496-500 (Blackmun J., dissenting).

70. See *Unwinding Sony*, *supra* note 9, at 964-69, 973, 1024 (“With the release of the correspondence of the justices surrounding this case, we can confirm that the delib-

Act because of the alleged “kinship” between patent and copyright.⁷¹ Using the Patent Act’s “staple article of commerce” doctrine, the Court reversed the Ninth Circuit and found that Sony was not liable for contributory liability.⁷² The *Sony* Court held that video tape recorders, like other articles of commerce, were widely used for legitimate, unobjectionable purposes. The Court opined that a staple article of commerce “need merely be capable of substantial noninfringing uses.”⁷³ The *Sony* Court then proceeded to find that the Betamax tape recording device had substantial non-infringing uses, notably an individual user’s authorized time-shifting viewing, which constituted a fair use.⁷⁴

Commentators are divided on the *Sony* ruling and on the Supreme Court’s wisdom to apply the “staple article of commerce” doctrine to copyright law. Some commentators have praised the *Sony* rule.⁷⁵ Others have sharply criticized the “engrafting” of the patent “staple article of commerce” into copyright liability analysis.⁷⁶ For example, after an exhaustive review of the legislative history of the enactment of the Copyright Act of 1976, Professors Menell and Nimmer found that Congress’s reliance on the Patent Act in drafting the copyright statute was at best scarce and disparate.⁷⁷ The “historic kinship” between patent law and copyright law, so heavily relied upon by the *Sony* majority, does not exist in the legislative history of the Copyright Act.⁷⁸ Instead, the legislative history “specifically declined to alter from established case law” on the

erations involved little consideration of legislative materials or systematic analysis of copyright jurisprudence, but instead displayed considerable jockeying to build a five-member coalition to shield Sony from liability.”).

71. *Sony*, 464 U.S. at 439.

72. *Id.* at 440-42.

73. *Id.* at 442.

74. *Id.* at 442-47. The Court also found many other noninfringing uses such as making copies of authorized televised sports events, religious broadcasts, and educational programs. *Id.* at 446.

75. See Pamela Samuelson, *The Generativity of Sony v. Universal: The Intellectual Property Legacy of Justice Stevens*, 74 *FORDHAM L. REV.* 1831, 1831 (2006). Professor Samuelson regarded the *Sony* decision as the most significant legacy of Justice Stevens in the field of intellectual property law and “its significance is likely to continue in mediating dispute between copyright industries and creative information technology developers and users of information technology.” *Id.* at 1831-32.

76. See *Unwinding Sony*, *supra* note 9, at 944, 978.

77. See *id.* at 989-93.

78. See *id.*

question of secondary liability.⁷⁹ The real kinship between patent law and copyright law is actually their common wellspring: tort law.⁸⁰

More than twenty years after *Sony*, the limitation and the difficulty of applying the “staple article of commerce” doctrine were magnified in the 2005 case of *MGM Studios Inc. v. Grokster, Ltd.*⁸¹

2. *The Grokster Standard on Inducement Under Contributory Liability Theory*

In *MGM Studios Inc. v. Grokster, Ltd.*,⁸² the Supreme Court held that “[o]ne infringes contributorily by intentionally inducing or encouraging direct infringement,”⁸³ In *Grokster*, defendant companies Grokster, Ltd. (“Grokster”) and StreamCast Networks, Inc. (“StreamCast”) distributed free software that allowed users to swap electronic files directly with each other through peer-to-peer networks (P2P).⁸⁴ The network was apparently designed to avoid the problems that had shut down Napster Inc.⁸⁵ The Court found that although the users could use Grokster’s software to share any type of digital file, they had primarily engaged in sharing copyrighted music and video files without authorization from the copyright owners.⁸⁶

The Court also held that when Grokster and StreamCast distributed their software, they clearly voiced the objective that recipients used it to download copyrighted works, therefore taking active steps to encourage and induce infringement.⁸⁷ Moreover, the Court determined that Grokster and StreamCast generated most of their revenue by selling advertisements

79. *See id.* at 993 (citing H.R. REP. NO. 94-1476 at 61, 159-60 (1976)).

80. *See id.* at 994.

81. 545 U.S. 913 (2005).

82. *Id.*

83. *Id.* at 930.

84. *Id.* at 919-20.

85. Grokster and StreamCast’s adoption of P2P, instead of a central server for the purpose of file swapping, was apparently responding to the Ninth Circuit’s decision in *A&M Records v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001), where the court found Napster secondarily liable for its users’ infringing activities, i.e., swapping copyrighted music files, because Napster Inc.’s operation of central server systems gave Napster the ability to control the infringing users and Napster failed to do so. *Napster*, 239 F.3d at 1023-24.

86. *Grokster*, 545 U.S. at 920, 923.

87. *Id.* at 923-24, 937-38. For example, StreamCast had designed its software specifically targeting Napster’s huge user base, in anticipation that Napster users would switch to its “OpenNap” software after Napster’s shutdown by the court. *Id.* According to its own statements, “StreamCast planned to be the next Napster.” *Id.* at 924-25. Similar evidence revealed that Grokster had the same goal of capturing the market of former Napster users. *Id.* at 925.

to their infringing users during their infringing activities.⁸⁸ The Court found that neither Grokster nor StreamCast made any effort to filter copyrighted material from users' downloads or otherwise impede the sharing of copyrighted files,⁸⁹ and held that this evidence underscored Grokster's and StreamCast's intentional facilitation of their users' infringement.⁹⁰ However, the Court cautioned that failure to install a filtering mechanism was not evidence of intent per se, "[o]f course, in the absence of other evidence of intent, a court would be unable to find contributory infringement liability merely based on a failure to take affirmative steps to prevent infringement, if the device otherwise was capable of substantial noninfringing uses."⁹¹ In conclusion, the Court held that "one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties."⁹² The Court emphasized that its ruling should not be interpreted to discourage development of new technologies with both lawful and unlawful potential.⁹³ Mere knowledge of infringing potential or of actual infringing uses would not be enough to subject a product distributor to liability.⁹⁴ The inducement rule premises liability on "purposeful, culpable expression and conduct."⁹⁵ Based on Grokster and StreamCast's conduct and expressions, the Court concluded that their unlawful objective of inducing infringement was unmistakable and therefore found them liable for the "gigantic scale" third party infringement.⁹⁶ The Court tried to distinguish the case from *Sony*, noting that *Sony* "struck a balance between the interests of protection and innovation by holding that the product's capability of substantial lawful employment should bar the imputation of fault and consequent secondary liability for the unlawful acts of others."⁹⁷ The Court emphasized the importance of the two defendants' expressions and conduct in reaching its finding of liability, holding that "[i]f liability for inducing infringement

88. *Id.* at 926.

89. *Id.* at 926-27 ("Although Grokster appears to have sent e-mails warning users about infringing content . . . it never blocked anyone from continuing to use its software to share copyrighted files.").

90. *Id.* at 939.

91. *Id.* at 939 n.12.

92. *Id.* at 936-37.

93. *Id.* at 937.

94. *Id.* (citing *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19 (1984) (finding no intentional inducement despite Sony's knowledge that its VCR could be used to infringe)).

95. *Grokster*, 545 U.S. at 937.

96. *Id.* at 937-41.

97. *Id.* at 941.

is ultimately found, it will not be on the basis of presuming or imputing fault, but from inferring a patently illegal objective from statements and actions showing what that objective was."⁹⁸

In *Grokster*, although the Supreme Court found that more than 90% of Grokster's software's usage was for illegal swapping of copyrighted music files, the Court did not attempt to base its liability findings on the "substantiality" factor of the "staple article of commerce" doctrine.⁹⁹ This indicated, to some extent, that the Supreme Court was not comfortable with the extent, scope, and applicability of this doctrine in the context of copyright protection. Under the facts of *Sony*, the doctrine heavily favored the new technology despite widespread evidence of infringement.¹⁰⁰ Moreover, the doctrine permitted technology that was "merely be capable of substantial noninfringing uses."¹⁰¹ It would be difficult for the *Grokster* Court to argue that the P2P network was not even capable of substantial noninfringing use. Further, the *Grokster* Court was probably concerned that setting a numerical threshold, e.g. at 90%, for the "substantiality" factor and using it to dispose of a case could lead to chaos in future court proceedings. The reluctance of the Court to engage in such a pursuit indicated the difficulty of applying the "substantial non-infringing use" doctrine to copyright protection.

The *Grokster* Court likely believed that Grokster was liable for contributory copyright infringement. Yet, to find Grokster liable, the Court was not willing to wrestle with the "staple article of commerce" doctrine, arguably because it was reluctant to disturb the *Sony* ruling. Eventually, the *Grokster* Court introduced the "inducement" standard requiring "purposeful culpable expression and conduct" for a finding of contributory infringement.¹⁰² The Court imposed this requirement in an effort to distinguish *Grokster* from *Sony*, so as not to let Grokster escape liability under the protection of *Sony*'s broad "staple article of commerce" doctrine. In

98. *Id.*

99. The trial attorney, Mr. Michael Page, for Grokster conceded that he anticipated that the Supreme Court would rule against Grokster in the case, but acknowledged that he was expecting that the Court would rule on the basis that Grokster's software did not have substantial noninfringing use and thus did not qualify for the "staple article of commerce" doctrine's protection. Michael Page, *Contributory and Vicarious Copyright Liability in the wake of Grokster: Observations from the trenches*, Address at the Berkeley Center for Law & Technology Lunch Series (Nov. 6, 2007).

100. See *Unwinding Sony*, *supra* note 9.

101. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984) (emphasis added).

102. *Grokster*, 545 U.S. at 937.

hindsight, such an inducement standard looked almost tailored to fit the self-incriminating behaviors of Grokster.

The *Grokster* Court listed the failure to install a filtering mechanism as evidence of intentional inducement.¹⁰³ However, immediately after this finding, the Court in footnote twelve explained that the mere failure to install a filtering mechanism, in the absence of other evidence of intent, was not enough to find contributory liability.¹⁰⁴ The Court's caution indicates that its reasoning regarding the lack of a filtering mechanism should not be read too broadly so as to negate *Sony*. During the *Sony* litigation, "broadcast flag," a coded message sent in the data stream of a television program, was proposed to be incorporated into Sony's VTR machines to instruct the machine to record only programs authorized by the copyright owners.¹⁰⁵ The district court rejected it.¹⁰⁶ Likewise the Supreme Court ignored the "broadcast flag" and established a blanket rule exonerating Sony under the "staple article of commerce" doctrine. The "broadcast flag" was, in large part, analogous to the "filtering mechanism" mentioned in *Grokster*. Since the *Sony* Court did not require it, it is hard for the *Grokster* Court to require it without disturbing *Sony*.

The *Grokster* ruling, on its face, was an appropriate ruling because the evidence clearly pointed to contributory liability. However, the Court probably found itself trapped inside *Sony*'s "staple article of commerce" doctrine. Not willing to rule for Grokster, the Court fashioned an inducement test, which appeared to specifically have targeted Grokster. The requirements of the "purposeful and culpable expression and conduct" standard enumerated in *Grokster* are so stringent that it is unlikely that future courts will be able to apply it meaningfully. Moreover, producers and distributors of future P2P programs will know to avoid explicit encouragement of infringement. The *Perfect 10* case, discussed in the next Part, is a perfect example of these limits of the *Grokster* inducement test.¹⁰⁷

103. *Id.* at 926-27.

104. *Id.* at 939 n.12 (emphasis added).

105. See *Unwinding Sony*, *supra* note 9, at 949 n.39; Thomas S. Fletcher, Note, American Library Association v. FCC: *Charting the Future of Content Protection for Digital Television*, 21 BERKELEY TECH. L.J. 613, 617-19 (2006).

106. See *Unwinding Sony*, *supra* note 9, at 949 n.39.

107. See *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007).

III. CASE SUMMARY

A. Facts of the Case

Perfect 10, Inc. markets and sells copyrighted photographic images of nude models on its website.¹⁰⁸ It sued Google for infringement of its copyrighted photographs.¹⁰⁹ Perfect 10 also sued Amazon.com and its subsidiary A9.com for similar claims.¹¹⁰ Google's search engine accesses websites on the internet and automatically indexes them in a database stored on Google's computers.¹¹¹ When an internet user types a search query on the Google website, Google's software searches its database for websites responsive to that query and sends relevant information from its index of websites to the user's computer.¹¹² In addition to standard text search, Google also operates a "Google Image Search" service where, in response to an image search query, it identifies text in its database responsive to the query and then communicates to users the images associated with relevant text.¹¹³ The search results are presented in thumbnail-form and those thumbnails are stored in Google's servers.¹¹⁴ "[T]humbnail images are reduced, lower-resolution versions of the full-sized images stored on third-party computers."¹¹⁵ Google also stores webpage content in its cache,¹¹⁶ which only contains the text of the webpage, including the URL of the images but not the images themselves.¹¹⁷

108. *Id.* at 1157.

109. *Id.* at 1154.

110. *Id.* Amazon.com, Inc. ("Amazon") is an internet e-commerce company that sells books, magazines, music CDs, movie DVDs, and various other products through its website Amazon.com. A9.com is an internet search engine and is a subsidiary of Amazon.A9.com helps people find what they want on e-commerce websites. *Id.* Google had an agreement with Amazon.com that allowed Amazon.com to "in-line link" to Google's search results. *Id.* at 1157. "Amazon.com routed users' search queries to Google and automatically transmitted Google's responses . . . back to its users." *Id.*

111. *Perfect 10*, 508 F.3d at 1155.

112. *Id.*

113. *Id.*

114. *Id.*

115. *Id.*

116. *Id.* at 1156. "Google's cache saves copies of a large number of webpages so that Google's search engine can effectively organize and index these webpages." *Id.* at 1156 n.3.

117. *Id.* at 1156. However, the cached version of the webpage does not automatically update once the webpage owner modifies the webpage. *Id.* So, even if the webpage owner removed the link to a certain image in its website, a browser communicating with cached version of the website may still be able to access the image while a browser communicating directly with the owner's webpage would not be able to access the image. *Id.* If the owner of the webpage changed the address of the image or otherwise rendered

Perfect 10 operates a subscription website and subscribers pay a monthly fee to view its images by logging into a password-protected “members’ area” of its website.¹¹⁸ Google does not include the password-protected images in its index or database.¹¹⁹ Perfect 10 also licensed Fon-estarz Media Limited to sell and distribute Perfect 10’s reduced-size images for download to cell phones.¹²⁰ Some websites republish these images without authorization from Perfect 10.¹²¹ Google’s automatic process also indexes these webpages and provides thumbnail versions of those infringing images in response to user queries.¹²²

From May 2001 through 2005, Perfect 10 continuously notified Google that its use of thumbnail images and its links to the full-size images on infringing websites infringed Perfect 10’s copyright.¹²³ Perfect 10 sued Google on November 19, 2004 and sued Amazon.com on June 29, 2005 in the U.S. District Court for the Central District of California for copyright infringement, seeking preliminary injunctions.¹²⁴

B. Procedural History

The district court consolidated the case against Google and the case against Amazon.com.¹²⁵ The district court found that the use of the thumbnail images was a direct infringement of Perfect 10’s copyrighted materials and enjoined Google from creating and publicly displaying thumbnail versions of Perfect 10’s images, but did not enjoin Google from linking to infringing third-party websites.¹²⁶ Perfect 10 and Google both appealed to the Ninth Circuit.¹²⁷ On June 15, 2006 the district court temporarily stayed the preliminary injunction pending the outcome of the appeal.¹²⁸

The Ninth Circuit reviewed the district court’s grant of preliminary injunction for abuse of discretion and reviewed the district court’s conclusions de novo.¹²⁹ The Ninth Circuit held that for a preliminary injunction,

the image unavailable, a browser communicating with the cached copy of the webpage will also not be able to locate the image. *Id.*

118. *Id.* at 1157.

119. *Id.*

120. *Id.*

121. *Id.*

122. *Id.*

123. *Id.*

124. *Id.*

125. *Id.*

126. *Id.* at 1154.

127. *Id.*

128. *Id.* at 1157.

129. *Id.*

once the plaintiff has shown a likelihood of success on the merits, the burden shifts to the defendant to show a likelihood that its affirmative defenses will succeed.¹³⁰ The Ninth Circuit concluded that Perfect 10 had succeeded in showing that it would prevail in its prima facie case of infringement and the burden shifted to Google to show that it would likely succeed in establishing the fair use defense.¹³¹ The Ninth Circuit, after weighing the four statutory fair use factors, concluded that Google's use of Perfect 10's thumbnails was a fair use and vacated the preliminary injunction.¹³² The court also reversed the lower court's holding of no secondary liability because the district court failed to consider Google and Amazon.com's knowledge of the infringing activities and possible deterrence measures.¹³³

IV. DISCUSSION: A FAIR USE VICTORY FOR INTERNET SEARCH ENGINES AND A REVERSION TO TORT LAW PRINCIPLE ON CONTRIBUTORY LIABILITY

A. Fair Use

The Ninth Circuit's finding that Google's use of thumbnail versions of Perfect 10's images was fair use under the Copyright Act¹³⁴ is a sensible ruling in the age of internet. This Part analyzes the court's reasoning regarding the four fair use factors and relates the analysis to the modern trend of fair use in the twenty-first century.

1. The Ninth Circuit Made a Sensible Ruling

For the first factor of the fair use determination, the purpose and character of the use, the court held that Google's use of the thumbnails was highly transformative because the search engine put the images "in a different context," and therefore "transformed [them] into a new creation."¹³⁵ The thumbnail images serve a new function: improving access to information on the internet (as opposed to the original images, which some would argue furthered artistic expression).¹³⁶ The Ninth Circuit emphasized that a search engine provided "social benefit by incorporating an original work into a new work, namely, an electronic reference tool."¹³⁷ The Ninth Cir-

130. *Id.* at 1158.

131. *Id.* at 1163.

132. *Id.* at 1168.

133. *Id.* at 1176-77.

134. *See id.* at 1168.

135. *Id.* at 1165.

136. *See id.*

137. *Id.*

cuit stated that the fact that Google used the entire Perfect 10 image into the search engine results “does not diminish the transformative nature of Google’s use.”¹³⁸

Google also derives some financial benefit and generates a portion of its revenue by partnering with certain websites through its “AdSense” program.¹³⁹ Under this program, AdSense participants share such advertising revenues with Google.¹⁴⁰ The Ninth Circuit held that the district court failed to determine the monetary significance of the thumbnails.¹⁴¹ Furthermore, the Ninth Circuit disagreed with the district court’s conclusion that Google’s use of thumbnail images superseded Perfect 10’s right to sell its reduced-size images for use on cell phones, stating that the superseding use was not significant because downloads for mobile phone use had not been found.¹⁴² The Ninth Circuit emphasized the fact that Google’s search engine promotes the purposes of copyright and serves the interest of the public.¹⁴³ It concluded that, “the significantly transformative nature of Google’s search engine, particularly in light of its public benefit, outweighs Google’s superseding and commercial use of the thumbnails in this case.”¹⁴⁴

For the second fair use factor, the nature of the copyrighted work, the Ninth Circuit agreed with the district court that Perfect 10’s images possessed artistic value.¹⁴⁵ The court determined that this factor tipped only slightly in favor of Perfect 10 because all the images had been previously published before Google displayed them as thumbnails.¹⁴⁶

For the third fair use factor, the amount and substantiality of the portion used, the Ninth Circuit concluded that it was reasonable for Google to use the entire photographic image in light of the purpose of a search engine because if only part of image was used the user would not be able to recognize the image and this would diminish the usefulness of a visual

138. *Id.*

139. *Id.* at 1156; see Google AdSense, <http://www.google.com/adsense> (last visited Feb. 6, 2008); see also Wikipedia, AdSense, <http://en.wikipedia.org/wiki/AdSense> (last modified Apr. 11, 2008).

140. See Google AdSense, <http://www.google.com/adsense> (last visited Feb. 6, 2008); see also Wikipedia, AdSense, <http://en.wikipedia.org/wiki/AdSense> (last modified Apr. 11, 2008); see also *Perfect 10*, 508 F.3d at 1156.

141. *Perfect 10*, 508 F.3d at 1166.

142. *Id.*

143. *Id.*

144. *Id.*

145. *Id.* at 1167.

146. *Id.*

search engine.¹⁴⁷ The court concluded that this factor did not favor either party.¹⁴⁸

For the fourth fair use factor, the effect of use on the market, the Ninth Circuit agreed with the district court that the thumbnail images did not harm the market for full-size images because the thumbnails were not a substitute for the full-sized images.¹⁴⁹ The court acknowledged that Perfect 10 had a market for reduced-size images but repeated its reasoning in factor one that no downloads of the thumbnails images had been found.¹⁵⁰ It concluded that this factor favored neither party.¹⁵¹

The Ninth Circuit's fair use analysis fits the courts' historical pattern of using diverse standards to judge the four fair use factors.¹⁵² The Ninth Circuit appropriately relied on its own ruling in *Kelly v. Arriba Soft Corporation*,¹⁵³ stating that "even making an exact copy of a work may be transformative so long as the copy serves a different function than the original work."¹⁵⁴ Indeed, the facts in *Kelly* are quite similar to those of *Perfect 10*. In *Kelly*, Arriba's search engine program "crawled" the web looking for images to index.¹⁵⁵ The crawler downloaded full-sized copies of the images onto Arriba's server and used those copies to generate smaller, lower-resolution thumbnails of the images.¹⁵⁶ After the thumbnails were created, the program deleted the full-sized originals from the server.¹⁵⁷ A user could copy these thumbnails to his computer or disk, but could not increase the resolution of the thumbnail.¹⁵⁸ The Ninth Circuit ruled that although Arriba made exact replications of Kelly's images, the thumbnails served an entirely different function than Kelly's original images.¹⁵⁹ The court stated that Kelly's images were artistic works intended to engage the viewer in an aesthetic experience while Arriba's search engine functioned as a tool to help index and improve access to images on

147. *Id.*

148. *Id.* at 1167-68.

149. *Id.* at 1168.

150. *Id.*

151. *Id.*

152. *See generally* Nimmer, *Fairest of Them All*, *supra* note 37.

153. 336 F.3d 811 (9th Cir. 2003).

154. *Perfect 10*, 508 F.3d at 1165 (citing *Kelly*, 336 F.3d at 818-19).

155. *Kelly*, 336 F.3d at 815.

156. *Id.*

157. *Id.*

158. *Id.*

159. *Id.* at 818.

the internet.¹⁶⁰ In addition, it explained that Arriba's use of Kelly's images in the thumbnails was unrelated to any aesthetic purpose.¹⁶¹

This line of reasoning reflected, to some extent, the courts' willingness in recent years to set a more liberal standard for the definition of "transformative nature" and to de-emphasize market harm once transformation is found.¹⁶²

In the early years of fair use, the Supreme Court was more focused on the so-called productive work that added "something new" to the original work to be considered transformative.¹⁶³ In light of these precedents, why should a wholesale copying of an image merely for a different purpose (searching) be declared fair use, like in *Perfect 10*? The answer lies within the context of information search. While an author may exercise his own ingenuity to satirize the society at large without appropriating other people's creative work, an image search engine cannot fulfill its basic functionality of locating the exact information without appropriating the whole image. Adding "something new" to the search result would totally defeat the purpose of a search engine. It was probably for this reason that the Ninth Circuit ruled that providing search capability rendered the use of the appropriated work transformative enough to warrant fair use protection. In *Perfect 10*, the Ninth Circuit argued that a search engine might 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."¹⁶⁴ This argument, although broad, is justifiable given the search engine's basic functionality of providing accurate results for the information searched.

160. *Id.*

161. *Id.* The Ninth Circuit also stated that this case involves more than merely a re-transmission of Kelly's images in a different medium, which typically does not qualify for fair use protection. *Id.* at 818-19.

162. See Marques, *supra* note 50, at 333.

163. Compare *Campbell*, 510 U.S. at 579 with *Dr. Seuss Enterprises v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1401 (9th Cir. 1997). In *Dr. Seuss*, authors Alan Katz and Chris Wrinn wrote and illustrated *The Cat Not in the Hat!*, a book that borrowed the title, the lead character, and the narrator ("Dr. Juice") of the late Dr. Seuss' famous children's book *The Cat in the Hat*. *Id.* at 1396. The court applied the *Campbell* standard and concluded that the work was not a parody because it served mostly as a satire of the different subject—the O.J. Simpson double murder trial. *Id.* at 1396, 1401. It failed to comment, at least in part, on the original book and it also failed to "conjure up" the original book. *Id.*

164. *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1165 (9th Cir. 2007).

What is surprising in *Perfect 10* is that the Ninth Circuit ignored *Sony* in its fair use deliberation.¹⁶⁵ In *Sony*, the Supreme Court found that taping copyrighted television programs for time-shifting viewing was fair use.¹⁶⁶ This position is quite similar to the Ninth Circuit's reasoning in *Perfect 10*. In both cases, the copying was an exact copying of the entire work. The copying was not of a productive nature, meaning that the original work was not modified and no new elements were added to create a new work of expression.¹⁶⁷ In both cases, the copying was found to be fair use because the copying served a different purpose: in *Sony* it was for time-shifting viewing and in *Perfect 10* it was for facilitating the search. One explanation for both holdings is that in both scenarios, in order to achieve the intended purpose, there is really no other alternative to copying the entire work. One cannot achieve time-shift viewing of a program without taping the program in its entirety. If the program was modified, or new elements added, it would hardly serve the viewer's purpose of viewing the original program merely at a different time. Similarly, in *Perfect 10*, there was no alternative way of providing an accurate search result without providing the picture in its entirety, unaltered. From this point of view, there is a strong argument favoring a finding of fair use if wholesale copying of the original is the only way to serve the user's intended purpose. Therefore, *Sony* seems to be able to serve as a strong support to the *Perfect 10* court's reasoning. However, the Ninth Circuit ignored such an obvious support.¹⁶⁸ This puzzle is discussed further in Section IV.B, which argues that the Ninth Circuit avoided *Sony*'s "staple article of commerce" doctrine in its discussion of secondary liability as well as in its fair use analysis in order to prevent a non-uniform treatment of *Sony*.

2. *The Fair Use Reasoning Is Not Perfect*

The Ninth Circuit made the sensible ruling on the fair use issue, but its fair use analysis was not without defect. At several points, the court treated the absence of evidence as the evidence of absence. It concluded that because evidence of users downloading thumbnail images to a mobile phone had not been introduced, the superseding use was therefore not significant.¹⁶⁹ The court also concluded that because the district court failed to determine the commercial scope of Google's AdSense program, the commercial dimension of Google's displaying of thumbnail images was

165. *See id.* at 1163-68.

166. *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 442-47 (1984).

167. *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994).

168. *See Perfect 10*, 508 F.3d at 1163-68.

169. *Id.* at 1166.

not significant.¹⁷⁰ According to the logic of the Ninth Circuit, if downloading of the reduced-size images to cell phones or other handheld devices were found, or if the commercial benefits Google derived from displaying the thumbnail images could be ascertained, the lower court arguably should then reconsider the first factor of the fair use determination. Since the Ninth Circuit found that the district court failed both to discover the downloads to cell phones and to ascertain the significance of the alleged user's commercial scope, shouldn't the Ninth Circuit have remanded these questions back to the district court for further fact finding instead of summarily closing the issue of fair use? The fact that Perfect 10 licensed to Fonestarz Media the right to market its reduced-size copyrighted images for cell phone downloads indicates that further fact-findings might have yielded different conclusions.¹⁷¹ Given that the Ninth Circuit emphasized that the burden was on Google to show its likely success in the fair use defense for preliminary injunction,¹⁷² those factual findings could have been important in determining Google's likely success.

As a matter of fact, the court's such arguments are unnecessary. The Supreme Court never set an absolute level of superseding or commercial use above which fair use cannot be found. The Court only required the weighing of the transformative nature of the use against the superseding and commercial use, specifically stating "[t]he more transformative the new work, the less will be the significance of other factors. . . ."¹⁷³ Given the Ninth Circuit's successful efforts in establishing the highly transformative nature of Google's use, as well as the search engine's positive role of promoting the purposes of copyright and serving the public interest, the court could have arrived at the same conclusion by weighing these fair use characteristics of a search engine against any superseding and commercial uses.

3. *Future Implications*

In finding Google's use of the thumbnail images fair use, the Ninth Circuit established that using the original work in order to provide internet search references could be considered a fundamentally different function from what the original work was intended to serve.¹⁷⁴ Thus, the public interest tipped strongly toward a fair use finding.¹⁷⁵ It appears that the Ninth

170. *Id.*

171. *See id.* at 1157.

172. *Id.* at 1163.

173. *Campbell*, 510 U.S. at 579.

174. *Perfect 10*, 508 F.3d at 1168.

175. *See supra* note 136 and accompanying text.

Circuit was even ready to extend the fair use protection to cases where a search engine displays the full-size exact copy of the original image, if the use serves a different function than the original images has intended.¹⁷⁶ To support its reasoning, the Ninth Circuit cited *Nunez v. Caribbean International News Corporation*, where a newspaper's republication of photos taken from a modeling portfolio in their entirety was found transformative because the photos served to inform, as well as entertain.¹⁷⁷ In other words, the *Perfect 10* court did not restrict its discussion to cases that dealt only with "thumbnail" pictures, like those in *Kelly*. This indicates the Ninth Circuit's willingness to find fair use for storing and displaying full-size pictures for the purpose of internet search. In other words, if a thumbnail image is fair use because a search engine puts it "in a different context" so as to transform it into to a "new creation," it is legitimate to conclude that a full-size image is fair use pursuant to exactly the same reasoning.

The Ninth Circuit's such subtle indication could have significant implications. It could have an important impact on the fair use determination on Google's ambitious project of digitizing all of the world's books.¹⁷⁸ If storing an exact copy of an original picture for the purpose of providing access to internet searches constitutes fair use because it serves a different function, storing exact copies of a book digitally for the purpose of providing access to an internet search could also constitute fair use.

B. Contributory Liability

In *Perfect 10*, the Ninth Circuit attempted to steer the copyright contributory liability standard back to its tort law roots. This was part of a larger trend in the internet age's judicial decisions that has effectively whittled away *Sony's* authority.¹⁷⁹

I. The Reversion to Tort Principles

A finding of secondary liability requires the presence of direct infringement by third parties.¹⁸⁰ Regarding the issue of direct infringement by a third party, the Ninth Circuit in *Perfect 10* focused its inquiry on the undisputed fact that third-party websites directly infringed *Perfect 10's*

176. See *Perfect 10*, 508 F.3d at 1165.

177. *Id.*; *Nunez v. Caribbean Int'l News Corp.*, 235 F.3d 18, 22-23 (1st Cir. 2000).

178. Google Books Library Project, <http://books.google.com/googlebooks/library.html> (last visited Feb. 8, 2008).

179. See Peter S. Menell & David Nimmer, *Legal Realism in Action: Indirect Copyright Liability's Continuous Tort Framework and Sony's De Facto Demise*, 55 UCLA L. REV. 143, 203-04 (2007).

180. See *supra* note 52 and accompanying text.

copyrights by reproducing, displaying, and distributing unauthorized copies of Perfect 10's images.¹⁸¹

The Ninth Circuit held that Google could not be held liable *solely* for providing a search engine that could be used for infringing use but also had substantial noninfringing use.¹⁸² Neither side in the case contested that Google's search engine had substantial noninfringing uses. On the question of intentionally inducing infringement, the court acknowledged that Google's activities did not meet the "inducement" test set forth in *Grokster* because Google did not promote the use of its search engine specifically to infringe copyrights through statements and acts.¹⁸³ Nonetheless, the Ninth Circuit stated that the Supreme Court's holding in *Grokster* did not prevent finding contributory liability under common law's fault-based liability (tort law) where intent could be imputed.¹⁸⁴ It therefore adopted the standard that failure by an internet service provider (ISP) to remove known infringing materials on its network could constitute contributory infringement.¹⁸⁵ The Ninth Circuit probably relied on the *Grokster* Court's language that "[Sony] was never meant to foreclose rules of fault-based liability derived from the common law."¹⁸⁶ The Ninth Circuit then held: "[t]here 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," concluding that "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."¹⁸⁷ The court remanded this issue for further fact finding.¹⁸⁸

In such a ruling, the Ninth Circuit adopted the contributory liability framework of *Gershwin*¹⁸⁹ and added the "take simple measures" dimen-

181. *Perfect 10*, 508 F.3d at 1169-70.

182. *Id.* at 1170.

183. *Id.* at 1171 n.11; *see also supra* notes 95,97,98 and accompanying text.

184. *Perfect 10*, 508 F.3d at 1170-71 (quoting *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 934-35 (2005)).

185. *Id.* at 1171. The Ninth Circuit recited its own ruling in *Napster*, "if a computer system operator leans of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement." *Id.*

186. *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 934-35 (2005).

187. *Perfect 10*, 508 F.3d at 1172 (emphasis added).

188. *Id.* 1172-73.

189. *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

sion, which was first proposed in *Religious Technology Center. v. Netcom*.¹⁹⁰ At first glance, the Ninth Circuit's decision to adopt such a rule seemed unexpected. After all, the Ninth Circuit had arduously argued for a fair use safe harbor for Google's direct infringement largely based on the public benefits Google's search engine provided. The Ninth Circuit could have completely shielded Google from contributory liability in a doctrinally permissible way. It is clear that under *Sony*, Google would not be found contributorily liable for third-party infringing websites because of the search engine's substantial noninfringing use. The only way that Google could be found contributorily liable is through *Grokster*'s inducement standard, carved out from the *Sony* rule, where intent must be manifested by "purposeful, culpable expression and conduct,"¹⁹¹ which Google arguably did not do.

Apparently, the Ninth Circuit refused, rightly, to give Google such unbounded power and demanded Google to assume its share of responsibility for copyright protection. It is plausible that the Ninth Circuit did not want Google to avoid the liability so cleanly, as what happened in *Sony*. Further, the Ninth Circuit might have been legitimately concerned about the extreme ease and the massive scale of internet copyright infringement in the new digital age in which digital copies can be produced cleanly and cheaply. The fact that the Ninth Circuit was forced to go back to common law tort principles to seek a proper standard for contributory copyright liability indicates that the applicability of both *Sony*'s and *Grokster*'s rigid rules in the internet age are tenuous at best.

From a policy standpoint, therefore, the Ninth Circuit's holding on the question of contributory liability is reasonable. The Ninth Circuit's finding of fair use on the question of direct infringement, combined with its remanding of the question of contributory liability, served as a kind of carrot and stick for Google, approving the search engine's objectives while at the same time forcing the improvement of its means.¹⁹² The Ninth Circuit was arguably asking Google to develop technologies to curb copyright infringement on the internet. The "simple measures" language in the court's

190. *Perfect 10*, 508 F.3d at 1171-72; *Religious Tech. Ctr. v. Netcom On-Line Commun. Servs.*, 907 F. Supp. 1361, 1375 (N.D. Cal. 1995) ("Thus, it is fair, assuming Netcom is able to take simple measures to prevent further damage to plaintiffs' copyrighted works, to hold Netcom liable for contributory infringement where Netcom has knowledge of Erlich's infringing postings yet continues to aid in the accomplishment of Erlich's purpose of publicly distributing the postings.").

191. *Grokster*, 545 U.S. at 937.

192. See generally *Unwinding Sony*, *supra* note 9, at 1005-23. The authors applied tort law principles to Sony's Betamax technology. The analysis utilized a balancing test where three prongs were involved: intention/knowledge, utility/harm, control/design.

new standard resonates, to some extent, with the “reasonable alternative design” standard in product liability tort law.¹⁹³

Perfect 10 reflected a tension between the traditional content provider and the new technologies capable of both noninfringing use and infringing use. Product liability tort law has recognized that liability should be imposed on the technology provider “whenever the designer or marketer of a product is in a relatively better position than are users and consumers to minimize product-related risk.”¹⁹⁴ Tort principles also sanction allocating the risk of harmful activities to the party best situated to avoid the harm and spread the costs more equitably and efficiently.¹⁹⁵ In *Perfect 10*, it appears reasonable to impose liability on the search engine company, which is in a relatively better position than the copyright owners to take “simple measures” to minimize the related copyright infringement risk because of its expertise in developing computing technologies.

The Ninth Circuit’s “simple measures” standard for contributory liability should have different meanings for different types of internet services. Take Google and Grokster as two examples. Google should not be required to implement intensely complicated tools to counter access to infringing material because its general-purpose search engine serves a very wide audience, and the difficulty of blocking access to infringing material is high. Grokster, on the other hand, should be subject to a more stringent requirement of implementing filtering mechanisms to filter out infringing material because unlike Google, Grokster was exclusively engaged in music posting. To put it in another way, an internet tool that has a very general functionality, like Google’s search engine, should be subject to a lesser burden of preventing copyright infringement, while an internet tool that has a more specific functionality and can easily be used as a tool for copyright infringement, should be subject to a heavier burden of preventing copyright infringement. Under this context, “reasonable measures” is probably a more pertinent phrase than “simple measures.”

Similar “simple measures” have already been suggested and even codified by the legislature. The Digital Millennium Copyright Act’s (“DMCA”) safe harbor protections¹⁹⁶ for certain types of ISPs may well reflect some of these “simple measures” contemplated by Congress to

193. See *id.* at 1010, 1012, 1018.

194. See *id.* at 1006 n.357 (citing RESTATEMENT (THIRD) TORTS: PROD. LIAB. § 2 cmt. a (1998) and James Henderson, Jr. & Aaron D. Twerski, *Closing the American Products Liability Frontier: The Rejection of Liability Without Defect*, 66 NYU L. REV. 1263 (1991)).

195. See *Unwinding Sony*, *supra* note 9, at 1011.

196. See 17 U.S.C. § 512 (2000).

shield, at least partly, ISPs from contributory liability.¹⁹⁷ The legislation of the safe harbor provision themselves also demonstrates, to some extent, that Congress did not take *Sony's* "staple article of commerce" doctrine to heart. It is fair to say that almost all ISPs (at least those contemplated by Congress for the safe harbor protection)¹⁹⁸ have, or are capable of, substantial noninfringing use and thus qualify for protection under the "staple article of commerce" doctrine.¹⁹⁹ If Congress had endorsed the "staple article of commerce" doctrine for copyright protection, it would have been unnecessary to expressly establish these simple measures to shield ISPs from contributory liability.

Google could have implemented one such "simple measure": digital watermark recognition. Like a "broadcast flag," which was ignored by the *Sony Court*,²⁰⁰ copyright owners use "digital watermark" technology to indicate when they have authorized reproduction of their works. Google could devise an algorithm to recognize such digital watermarks as its search engine crawls the internet and grabs images for indexing and shrinking into thumbnails. If the digital watermark indicates that the image can be copied, Google is free to index it. If the digital watermark indicates that the image cannot be copied, Google will first decide whether the website belongs to a legitimate copier, i.e. one with the copyright owner's permission.²⁰¹ If the website is legitimate, Google will index the website and the image. If the website is illegitimate, Google will neither index it nor create a thumbnail version so that internet users will not be directed to such illegitimate websites by Google.²⁰²

This measure might qualify as a "simple measure." It does not require human involvement and software could do it automatically. It would not require much additional time or many resources to carry out the additional

197. *See id.*

198. Search engine is one of the categories of ISPs protected by the safe harbor rule. *See* 17 U.S.C. § 512 (d) (2000). Other types of ISPs that were protected by safe harbors include conduit providers like telephone companies (17 U.S.C. § 512(a) (2000)), web storing or caching services (17 U.S.C. § 512(b) (2000)), and web hosting services (17 U.S.C. § 512(c) (2000)).

199. *See Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

200. *See Unwinding Sony*, *supra* note 9, at 949 n.39.

201. The information of such authorization could be included in the digital watermark itself so that Google could read from the digital watermark whether the images are hosted in a legitimate site or an infringing site.

202. Of course, an internet user can still access those websites by directly going to such websites' web addresses. However, such actions do not involve Google.

computation proposed.²⁰³ Most importantly, this measure would serve the dual purposes of facilitating internet users' access to images and protecting copyright by not directing users to infringing websites. Furthermore, anyone who tampers with the digital watermark²⁰⁴ would be subject to the "anti-circumvention" prohibition stipulated by the DMCA.²⁰⁵

2. *Uncertainty in the Wake of Perfect 10*

While the Ninth Circuit's newly stipulated contributory standard is a step in the right direction, it could also face criticism and cause uncertainty in its application.

First, the court stated, "[t]here 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."²⁰⁶ The Ninth Circuit appeared to say that Google "materially" contributed to other parties' direct infringing activities. However, conventionally, contributory liability was incurred when the defendant materially contributed to the direct infringing activities *at the same time* the direct infringing activities occurred. In *Elektra Records v. Gem Electronic Distributors*,²⁰⁷ defendant Gem Electronic Distributors, a retail store selling blank audiocassettes as well as copyrighted tapes, installed a coin-operated cassettes duplicating system called "Make-a-Tape" in the store.²⁰⁸ The defendant's customers could select from the retail store's catalog copy-

203. *But see* Mark A. Lemley, *Rationalizing Internet Safe Harbors 2* (Stanford Pub. Law Working Paper No. 979836, 2007), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=979836 (claiming that "Google has no realistic way of knowing which of the over 10 billion Web pages it searches might have information on it that violates the rights of someone else. If we forced Google to try to find out which Web pages have problematic materials on them, there is no way it could return automated search results."). Actually, every time Google conducts a search, it searches a local copy of the internet, instead of scanning the whole internet from scratch. So, certain scrutiny on the content of the websites could be done, and might be done only once, when Google is indexing the internet and is building the local copy. Such scrutiny, like the one Prof. Lemley proposed above, will result in exclusions of certain infringing materials from Google's local internet copy so as to render them unable to be searched. In this sense, the additional computation involved with such scrutiny will not happen every time a search is conducted.

204. First of all, tampering with a digital watermark requires sophisticated understanding of computer science as well as high-level skills in computer programming. Such occurrences would be rare at best.

205. *See* 17 U.S.C. § 1201 (2000) (making it illegal to circumvent a technological measure that effectively controls access to a protected work).

206. *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1172 (9th Cir. 2007).

207. *Elektra Records v. Gem Elec. Distribs.*, 360 F. Supp. 821 (E.D.N.Y. 1973).

208. *Id.* at 822.

righted music tapes and use the “Make-a-Tape” system in the defendant’s store to make copies of the copyrighted tapes.²⁰⁹ The Eastern District of New York found that the store was liable for contributory infringement.²¹⁰ In *Elektra Records*, the store clearly had knowledge of specific infringement activities and also provided material support (the “Make-a-Tape” system) at the same time the copyrighted tape was duplicated. In *Perfect 10*, the third-party infringers themselves already published infringing materials on their websites. Thus, unauthorized distribution had occurred *before* the users accessed the infringing materials using Google. In fact, internet users could have directly visited the infringing websites without ever touching Google’s search engine. Google did not help the infringers either create the infringing websites or acquire the infringing images. From this point of view, it seems somewhat unfair to hold that Google materially contributed to the infringers’ direct infringement. The *Perfect 10* court itself acknowledged that Google *incidentally* indexed the infringing websites without knowledge that particular websites were infringing websites.²¹¹ In a sense, Google, automatically cataloguing all websites in a digital format, acted like a giant yellow page book in the digital age. Google’s only fault seems to be that it is a too powerful a search engine. Should the law blame a powerful magnifying glass for revealing too many details of the object being examined?

Second, although the Ninth Circuit in *Perfect 10* skillfully stipulated a tort law-like contributory liability standard without directly contradicting either *Sony* or *Grokster*, both *Sony* and *Grokster* are still the laws of the land and are difficult obstacles to overcome. As the court itself acknowledged, although only implicitly, the *Perfect 10* ruling did not fully comport with the Supreme Court’s *Sony* and *Grokster* rulings.²¹² The Supreme Court in *Grokster* actually reaffirmed *Sony*: “where evidence goes beyond a product’s characteristics or the knowledge that it may be put to infringing uses, and shows statements or actions directed to promoting infringement, *Sony*’s staple-article rule will not preclude liability.”²¹³ The Supreme Court’s language seems to be clear that for products that qualify for the staple article of commerce doctrine, i.e., products, like Google’s search engine, with substantial noninfringing uses, the evidence upon which inducement intent could be “imputed” must go beyond “a product’s charac-

209. *Id.* at 822-23.

210. *Id.* at 824-25.

211. *Perfect 10*, 508 F.3d at 1164 n.8 (emphasis added).

212. *Id.* at 1171 n.11 (“Google’s activities do not meet the ‘inducement’ test explained in *Grokster* . . .”).

213. *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 934-35 (2005).

teristics or the knowledge that it may be put to infringing use” and must show “statements or actions” directed to “promoting” infringement.²¹⁴ In *Grokster*, the Supreme Court stated that the defendants’ failure to install any filtering mechanism “underscore[ed]” the defendants’ intentional facilitation on their users’ infringement.²¹⁵ However, the *Grokster* Court also stated that in the absence of other evidence of intent, contributory liability could not be found merely based on a failure to take affirmative steps to prevent infringement, if the device was capable of substantial non-infringing use.²¹⁶

Third, although the Ninth Circuit in *Perfect 10* reasonably instructed Google to take “simple measures,” the Ninth Circuit did not specify by what standard the “simple measures” would be judged. The Ninth Circuit might be referring to some sort of filtering mechanism that could block the access to the infringing sites. However, a danger exists in that this type of technology could filter out protected First Amendment speech.²¹⁷ In truth, intelligent and accurate filtering mechanisms are very hard to design and to implement.²¹⁸ The lack of a clear standard for “simple measures” will add difficulty and uncertainty for the district court’s adjudication of this case on remand.

Fourth, the Ninth Circuit was not clear about whether it intended “knowledge” to mean “general knowledge” or “specific knowledge.” From the court’s reliance on *Napster* in defining the “knowledge” requirement, it seems that the Ninth Circuit meant “specific knowledge.”²¹⁹ Case law also supports “specific knowledge.” In *Elektra Records*, the store knew or had reason to know about the occurrence of each specific tape

214. The Supreme Court continued, “Evidence of ‘active steps . . . taken to encourage direct infringement,’ . . . show[s] an affirmative intent that the product be used to infringe, and . . . overcomes the law’s reluctance to find liability when a defendant merely sells a commercial product suitable for some lawful use . . .” *Id.* at 936.

215. *Id.* at 939.

216. *Id.* at 939 n.12.

217. See, e.g., Marcel H. Faulkner, *Filter Schmitter: Libraries and Internet Filtering Software*, 2 POST-TRACKS (2006), <http://www.webjunction.org/do/DisplayContent?id=14621> (last visited Feb. 15, 2008) (showing evidence that some simplistic filtering software intended to filter out on-line sexual content ended up blocking access to many legitimate educational and medical websites).

218. Private conversation with Google engineers.

219. *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1171 (9th Cir. 2007) (citing *A&M Records v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001) (“[I]f a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement.”)).

duplicating incident and as a result was found liable.²²⁰ However, in *Perfect 10*, it would be unlikely that Google knew or had reason to know of specific infringing activities because Google's search engine automatically indexed the content on the internet. Similarly to *Sony*, where Sony could not have known and had no reason to know of specific infringement involving its Betamax devices but knew or had reason to know that generally, somewhere someone used Betamax to engage in copyright infringing activities, Google should have "general knowledge" of such infringement. Therefore, if the Ninth Circuit intended "knowledge" to mean "specific knowledge," the standard would have little force in prodding Google to implement "simple measures" because Google would not fit into the premise of this liability. On the other hand, if the Ninth Circuit intended "knowledge" to mean "general knowledge," it would appear to be inconsistent with both its own prior ruling in *Napster* and the mighty *Sony*. The Ninth Circuit's vagueness on this issue may have reflected this dilemma, but it is also likely to create confusion for the lower courts.

3. Future Implications

One of the fastest growing segments of the internet is in the social networking and user-generated-content arena where copyright issues arise on a massive scale. YouTube, one of the most popular websites in this arena, hosts numerous video clips generated by the general public as well as numerous copyrighted video clips. How big an impact the *Perfect 10* ruling will have on the secondary liability question for such websites and on the broader question of how to protect people's creativity while simultaneously protect copyright remains to be seen. One thing is certain: the blanket protection provided by *Sony's* "staple article of commerce" doctrine is losing its force. Furthermore, the impact of the *Perfect 10* ruling is unlikely to be confined to the courts of the Ninth Circuit. In *Grokster*, the Supreme Court probably felt that reliance on *Sony* would inevitably lead to an unjust finding of no contributory liability in favor of Grokster; thus the Court adopted a new "inducement" rule to find Grokster liable. Similarly here, if the current case goes to the Supreme Court, the Court could eventually decide to go beyond *Sony's* "staple article of commerce" doctrine and stipulate new rules. For the reasons outlined above, these rules should be closer to copyright liability's historic tort law roots.

220. *Elektra Records v. Gem Elec. Distribs.*, 360 F. Supp. 821, 822-23 (E.D.N.Y. 1973).

V. CONCLUSION

The internet and the digital age present great opportunities to internet service providers while also giving them tremendous power in facilitating the flow of information among the general public. The tension between the two purposes of copyright, protecting the original author's exclusive rights and encouraging the public's creativity by promoting the public's access to information, is exacerbated by internet technologies. Internet search engines play a pivotal role in disseminating and facilitating access to knowledge and information. While the *Perfect 10* ruling strengthens search engines' function in promoting public knowledge, it simultaneously leaves them responsible for deterring infringement committed using their technology. The *Perfect 10* ruling signified the continued trend of liberal interpretation of the copyright fair use doctrine and it also marked the Ninth Circuit's efforts both to rectify the confusions caused by Sony's misplaced copyright contributory liability jurisprudence and to steer the course back to its tort law roots. Considering all of these, the impact of the *Perfect 10* ruling is likely to be significant and far-reaching.

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