

**SEARCH ENGINES SCORE ANOTHER PERFECT 10:
THE CONTINUED MISUSE OF COPYRIGHTED IMAGES ON THE
INTERNET**

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In Kelly v. Arriba Soft Corp., the Ninth Circuit held that search engines' reproduction of images for use as thumbnails is a fair use under the Copyright Act. This Recent Development critiques the Ninth Circuit's analysis in determining whether a search engine infringed on a copyright holder's rights. The author proposes that this ruling broadened the scope of fair use on the Internet. As a result, Kelly does not fulfill copyright law's goal of providing a balance between the rights of the copyright holder and the rights of the general public. However, a recent ruling against the search engine Google may be one of the first steps toward curtailing search engines' power.

I. INTRODUCTION

Since the inception of the search engine on the Internet, there has been a clash between copyright holders desperately clinging to their rights and search engines claiming their indexing function fulfills copyright law's purpose to encourage creativity for the enrichment of the public. A search engine indexes websites on the Internet through the use of software that automatically scans and stores content available on each website into an easily searchable and accessible catalog.² Norman Zada, president of the California-based adult entertainment company, Perfect 10, filed an injunction against the search engine Google.com ("Google") for displaying

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² Perfect 10 v. Google, Inc., No. CV 04-9484, slip op. at 3-4 (C.D. CA Feb. 17, 2006).

over 3,000 images that are protected under Perfect 10's copyright.³ Perfect 10 argued that its business heavily relies on its copyrighted works and that Google's continuous infringement of these rights is "devastating to, and threatens the existence" of its business.⁴ Perfect 10's website, Perfect10.com, allows users to access photographs, video productions, and other materials by using a secure password in return for a monthly subscription fee.⁵ Searches performed using Google's visual search engine generated thousands of copies of Perfect 10's copyrighted works, which Google reproduced and displayed on its servers without permission. Despite approximately thirty formal requests asking Google to remove the images from its search results, the search engine continued to display these images. Perfect 10 argued that Google "is a commercial advertising operation determined to increase revenue regardless of what rights it tramples on in the process."⁶

Perfect 10 set forth several arguments advancing the claim that Google's unauthorized use of its copyrighted images harmed Perfect 10's profit margin. Perfect 10 asserted that its reduced-sized images have a commercial value.⁷ For example, Perfect 10 sells thousands of reduced-sized images per month for display on cell phones, a growing market estimated to be worth \$500 million.⁸ Moreover, according to Perfect 10, Google was not only displaying thousands of Perfect 10's copyrighted images without

³ *Porn Site Tries to Censor Google Image Search*, OUT-LAW NEWS, Aug. 26, 2005, <http://www.out-law.com/page-6055> (last visited Mar. 7, 2006) (on file with the North Carolina Journal of Law & Technology).

⁴ *Perfect 10 claims Google Gives it Away*, RED HERRING, Nov. 20, 2004, <http://www.redherring.com/PrintArticle.aspx?a=10981§or=Industries> (last visited Mar. 7, 2006) (on file with the North Carolina Journal of Law & Technology).

⁵ *Internet Porn Site Sues Google for Copyright and Trademark Infringement*, 3-11 MEALEY'S LITIG. REP. COPYRIGHT 17 (2004).

⁶ *Supra* note 3.

⁷ Brief for Plaintiff's Motion for preliminary injunction at 14, *Perfect 10 v. Google Inc.*, No. 2:04-cv-09484 (C.D. Cal. Aug. 24, 2005) [hereinafter Google Brief].

⁸ *Id.*

authorization, but was also directing users to websites that misappropriated Perfect 10's images.⁹

Copyright holders have filed actions against search engines for copyright infringement in the past.¹⁰ In addition, as search engines continue to grow, the struggle between copyright holders and search engines will only intensify. It has been argued that search engines are violating copyright protections under federal law¹¹ by "scooping" images from the Internet without the permission of the creator. However, reproducing and displaying these images may constitute "fair use" under Section 107 of the Copyright Act, a provision which excuses conduct that would ordinarily be infringement because of the existence of certain factors.¹²

In *Kelly v. Arriba Soft Corp.*,¹³ a landmark case with a potentially far-reaching impact for copyright law on the Internet, the Ninth Circuit held that a visual search engine's creation and use of thumbnails of copyrighted images constituted fair use. A thumbnail is a reduced version of a full-sized image that allows users to quickly find visual information.¹⁴ According to the court, while these thumbnail images serve an aesthetic purpose, the search engine's use of the thumbnails was "transformative" in that it improved access to images on the Internet.¹⁵ This Recent Development argues that under the fair use test, *Kelly* wrongly held that a search engine's use of thumbnail images was transformative and that it did not have an effect on the marketplace

⁹ 'Perfect 10' Litigation Revisits Fair Use of Thumbnails Under *Kelly v. Arriba Soft*, 6 COMP. TECH. LAW REP. 424 (Sept. 16, 2005), available at <http://subscript.bna.com/SAMPLES/ctl.nsf/04e3efa01c7130cf85256b57005a98b4/8d501e02441337488525707d006f4349?OpenDocument> (last visited Mar. 7, 2006) (on file with the North Carolina Journal of Law & Technology).

¹⁰ See Google Brief, *supra* note 7; Brief for Plaintiff's Motion for preliminary injunction, *Perfect 10, Inc. v. Amazon.com Inc.*, No.2:05-cv-04753 (C.D. Cal. July 1, 2005) [hereinafter Amazon Brief]; Motion for preliminary injunction, *Agence France Presse (AFP) v. Google, Inc.* (D.C. Mar. 17, 2005).

¹¹ 17 U.S.C.S. § 106 (2000).

¹² 17 U.S.C.S. § 107 (2000).

¹³ 336 F.3d 811 (9th Cir. 2003).

¹⁴ *Perfect 10 v. Google, Inc.*, No. CV 04-9484, slip op. at 4, n.4 (C.D. CA Feb. 17, 2006).

¹⁵ *Kelly v. Arriba Soft Corp.*, 336 F.3d at 818 (9th Cir. 2003).

for the copyrighted materials. First, it will discuss the history and development of copyright law. Second, it will examine the background of the *Kelly* case and then analyze the impact of this case on a separate claim brought by Perfect 10 against Amazon.com's search engine, A9.com ("A9"). It then will argue that *Kelly* overly broadened the scope of fair use on the Internet. Finally, this Recent Development will explain how a recent ruling against Google may be one of the first steps towards curbing the ever-expanding power of search engines on the Internet.

II. PURPOSE OF COPYRIGHT LAW

A copyright is a legal mechanism that gives the creator the right to control various uses of her work after it has been shared with others.¹⁶ These uses include the right to reproduce, as well as the right to distribute and publicly display the work.¹⁷

The purpose of American copyright law is to encourage the growth of learning and culture for the public welfare, and the award of exclusive rights to authors for a limited time is a means to that end.¹⁸ It is important to balance the rights of the public with those of the copyright holder:

[T]he needs on each side of the scale reflect two broad values that have played vital roles throughout American history: on the one side, protection of private property and the right of every member of American society, no matter his position, to own private property; and on the other side, the fundamental right of every member of American society to better himself and his position in life through education.¹⁹

In order to achieve this purpose, two approaches have been proposed: (1) awarding authors complete rights to their works to the degree necessary to promote additional innovations, and (2) restricting authors' control over their works in order to permit

¹⁶ ROBERT A. GORMAN & JANE C. GINSBURG, COPYRIGHT: CASES AND MATERIALS 12 (6th ed. 2002).

¹⁷ 17 U.S.C. § 102(a) (2000).

¹⁸ *Id.*

¹⁹ GRETCHEN McCORD HOFFMAN, COPYRIGHT IN CYBERSPACE 2: QUESTIONS AND ANSWERS FOR LIBRARIANS 4 (2005).

others to use and thereby develop those works.²⁰ Copyright law attempts to balance the interests of the copyright holder and the public so that copyright law's purpose of continuing the development of human knowledge is ultimately accomplished. As a result, copyright law must continually evolve and react to changing circumstances in order to accommodate the myriad of developments that are generated by ever-evolving technological innovations.²¹

III. BRIEF HISTORY OF MODERN AMERICAN COPYRIGHT LAW

Article I, Section 8, Clause 8 of the United States Constitution states that Congress has the power “[t]o promote the Progress of Science and useful arts, by securing for limited times to Authors and Inventors exclusive Right to their respective Writings and Discoveries.”²² The text of the Constitution, however, offers scant guidance regarding the details of what these rights should entail.²³ For example, the Constitution does not explain what the term “exclusive” embodies.²⁴ As a result, Congress was empowered to fill in gaps and define the scope of copyright law.²⁵

In response to modern technological developments and their effect on copyright law, Congress enacted the Copyright Act of 1976 to help define the rights of the copyright owner.²⁶ The 1976 Act protects a broad range of subject matter including motion

²⁰ *Id.* at 3.

²¹ HOFFMAN, *supra* note 19, at 4.

²² U.S. CONST. art. I, § 8, cl. 8.

²³ HOFFMAN, *supra* note 19, at 6.

²⁴ HOFFMAN, *supra* note 19, at 6.

²⁵ In 1790, Congress passed the Copyright Act. HOFFMAN, *supra* note 19, at 6. The Copyright Act originally granted protection of maps, charts, and books. HOFFMAN, *supra* note 19, at 6. Throughout the nineteenth century, it was expanded by amendments to include photographs, artistic works, sculpture, and prints. HOFFMAN, *supra* note 19, at 6. The Copyright Law of 1909 made some additional modifications, including increasing the scope of copyright protections to include all writings by authors and also doubling the term of protection from two fourteen year terms to two twenty-eight year terms. HOFFMAN, *supra* note 19, at 7.

²⁶ HOFFMAN, *supra* note 19, at 7.

pictures, sound recordings and pictorial, graphic, sculptural, and literary works, motion pictures, and sound recordings.²⁷ In addition, the 1976 Act gives the copyright owner the exclusive right to reproduce, display and distribute copies of the copyrighted work.²⁸ These rights are the foundation of modern copyright law. However, these exclusive rights are tempered by a number of exceptions that may undercut their exclusivity in certain instances.

IV. FAIR USE DOCTRINE

The secondary use of a copyright holder's work can be excused by the affirmative defense of fair use.²⁹ Fair use permits works to be used for purposes of teaching, news reporting, criticism, scholarship, or research under certain conditions.³⁰ This doctrine allows courts to prevent an inflexible application of the copyright statute when such application would restrain the very creativity which that law is intended to encourage.³¹ The fair use doctrine also provides a way of balancing the copyright holder's exclusive rights to her work with the public's interest in accessing and developing these works.³²

The courts, and subsequently Congress, established a four-factor test that, if met, permits certain uses of an original work by a non-copyright holder.³³ No single factor alone is determinative.³⁴ Rather, courts balance these factors in accordance with the overriding goals of copyright law.³⁵ In establishing what is considered fair use, Section 107 of the Copyright Act looks to the:

- (1) Purpose and character of the use;

²⁷ See 17 U.S.C. § 102 (1976).

²⁸ *Id.*

²⁹ 17 U.S.C. § 107 (2000).

³⁰ *Id.*

³¹ *Iowa State Univ. Research Found. Inc. v. Am. Broad. Co's.*, 621 F.2d 57, 60 (2d Cir. 1980).

³² *Wainwright Sec. v. Wall Street Transcript Corp.*, 558 F.2d 91, 94 (2d Cir. 1977).

³³ 17 U.S.C. § 107 (2000). See HOFFMAN, *supra* note 19, at 29.

³⁴ *Kelly v. Arriba Soft Corp.*, 336 F.3d at 818 (9th Cir. 2003).

³⁵ *See id.*

- (2) Nature of the copyrighted work;
- (3) Amount and substantiality of the portion used in comparison to the work as a whole; and
- (4) Effect on the potential marketplace of the work.³⁶

A. Purpose and Character of Use

The first factor of the fair use test addresses whether the “secondary use” by the non-copyright holder “is of a commercial nature or is for nonprofit educational purposes.”³⁷ This factor considers the socially valuable purpose of the secondary use.³⁸ In evaluating whether the new use is socially productive, courts must determine whether the new use merely duplicates the original or if it is transformative.³⁹ A transformative use is one that enhances the work, and thus transforms the original work with new expression, meaning, or message.⁴⁰ According to Second Circuit Court of Appeals Judge Pierre N. Leval,⁴¹ transformative use must be

³⁶ 17 U.S.C. § 107 (2000).

³⁷ See 4 MELVILLE NIMMER, NIMMER ON COPYRIGHT 4-13 § 13.05(A) (1) (a) (2005) (quoting 17 U.S.C. § 107(1) (2000)).

³⁸ PAUL GOLDSTEIN, COPYRIGHT: PRINCIPLES, LAW AND PRACTICE, VOL. 2 214 (1989).

³⁹ LLOYD J. JASSIN & STEVEN C. SCHECHTER, THE COPYRIGHT PERMISSION AND LIBEL HANDBOOK 28 (1998). A transformative work is nearly always derivative by nature. HOFFMAN, *supra* note 19, at 30. A derivative work is work that is based upon one or more preexisting works such as a musical arrangement or an art reproduction, or any other form in which a work may be transformed or adapted. 17 U.S.C. § 101 (1976). Fair use allows uses that would otherwise violate a copyright owner’s rights, including the right to create derivative works. HOFFMAN, *supra* note 19, at 30. Nevertheless, creating a derivative work produces a new opportunity for abuse of these rights. HOFFMAN, *supra* note 19, at 30. In some circumstances, allowing others to create derivative works denies the copyright owner of those opportunities. Leval, *infra* note 42. Thus, the transformative nature of the use does not necessarily guarantee a finding of fair use. Leval, *infra* note 42.

⁴⁰ *Id.*

⁴¹ Before his appointment to the Court of Appeals in 1993, Pierre N. Leval was the United States District Court Judge for the Southern District of New York.

productive and must use the copyrighted work for a different function than the original.⁴²

A quotation of copyrighted material that merely repackages or republishes the original is unlikely to pass the test; in Justice Story's words, it would merely 'supersede the objects' of the original. If on the other hand, the secondary use adds value to the aesthetics, new insights and understandings—this is the very type of activity that the fair use doctrine intends to protect for the enrichment of society.⁴³

In *Campbell v. Acuff-Rose*,⁴⁴ the Supreme Court held that while transformative use is not essential for a finding of fair use, the purpose of copyright is advanced by the use of transformative works.⁴⁵ The Court stated that: "such [transformative] works thus lie at the heart of the fair use doctrine's guarantee of breathing space within the confines of copyright."⁴⁶ Further, the more transformative the new work, the less significant are other factors, such as the new work's effect on the marketplace for the copyrighted work.⁴⁷

The first factor also accounts for the commercial or non-commercial character of the use. Generally, the commercial aspect of the defendant's use will weigh against a finding that the use is fair.⁴⁸ Conversely, the combination of nonprofit character and educational purposes tends to support a claim for fair use.⁴⁹ However, a for-profit use does not automatically preclude a finding of infringement, nor does a nonprofit use guarantee a fair use defense.⁵⁰

⁴² Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1111 (1990).

⁴³ *Id.*

⁴⁴ *Luther R. Campbell AKA Luke Skywalker v. Acuff-Rose Music*, 510 U.S. 569 (1994).

⁴⁵ *Id.* at 579.

⁴⁶ *Id.*

⁴⁷ *Id.* Courts frequently contrast transformative uses with "slavish copying" which adds nothing new to the work. *ATC Distrib. Group, Inc. v. Whatever It Takes Transmissions & Parts, Inc.*, 402 F.3d 700, 712 (2005).

⁴⁸ GOLDSTEIN, *supra* note 38, at 216.

⁴⁹ GOLDSTEIN, *supra* note 38, at 214.

⁵⁰ *Campbell*, 510 U.S. at 584.

B. Nature of the Copyrighted Work

In ascertaining the second fair use factor courts typically take into account whether the copyrighted work is creative or factual, as well as whether it is published or unpublished.⁵¹ A more creative work is afforded more protection against copying than a less creative work.⁵² For example, courts typically narrow the scope of fair use for pictorial and graphic work because these works are generally more creative than functional.⁵³ On the other hand, fact-based works such as maps and newspapers are afforded “thin” copyright protections.⁵⁴ In *Feist Publications v. Rural Telephone Service Co., Inc.*,⁵⁵ the Court delineated the use of “thin” copyrights: “[n]otwithstanding a valid copyright, a subsequent compiler remains free to use the facts contained in another's publication to aid in preparing a competing work, so long as the competing work does not feature the same selection and arrangement.”⁵⁶

Further, unpublished works are given more protection than published works because the right of the first publication protects particularly important marketing interests.⁵⁷ In *Harper & Row, Publishers Inc. v. Nation Enters.*,⁵⁸ the Supreme Court held that the right of first publication includes not only the choice of whether or not to publish, but also the choices concerning when, where, and how to first publish a work.⁵⁹

C. Amount and Substantiality of the Portion used in Comparison to the Work as a Whole

The third fair use factor takes into account the portion of material copied and whether it constituted a fundamental aspect of

⁵¹ GOLDSTEIN, *supra* note 38, at 226.

⁵² JASSIN & SCHECHTER, *supra* note 39, at 30.

⁵³ JASSIN & SCHECHTER, *supra* note 39, at 31.

⁵⁴ *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991).

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ GOLDSTEIN, *supra* note 38, at 226.

⁵⁸ 471 U.S. 539 (1985).

⁵⁹ *Id.* at 564.

the copyrighted work.⁶⁰ In *Sony Computer Entertainment, Inc. v. Bleem Corp.*,⁶¹ the Ninth Circuit stated that the closer the copies are to the core of the original work and the greater the amount the original work was copied, the lower probability that the copying will constitute fair use.⁶² Generally, a use is less likely to be deemed fair when the amount of the original work used is comparatively large, exceptionally influential, or embodies the heart of the copyrighted work.⁶³

When considering the third fair use factor, qualitative measures are typically given more weight than quantitative measures.⁶⁴ For example, “[q]uoting 50 words from a well-known politician’s memoirs in the context of a critical review is probably okay. Using 50 words from a Maya Angelou poem in an anthology of contemporary American poets probably constitutes copyright infringement.”⁶⁵ Thus, courts generally are less likely to make a finding for fair use if the portions taken by the secondary user are of significant importance to the work as a whole.⁶⁶

D. Effect on the Potential Marketplace for the Work

The fourth fair use factor considers the effect of the secondary use on the value and market for the original work.⁶⁷ In analyzing this factor, courts explore whether the secondary use of the work has or would have a significantly negative impact on the potential market for, or value of, the original work.⁶⁸ As soon as the

⁶⁰ JASSIN & SCHECHTER, *supra* note 39, at 33.

⁶¹ 214 F.3d 1022 (9th Cir. 2000).

⁶² *Id.* at 1028.

⁶³ JASSIN & SCHECHTER, *supra* note 39, at 33.

⁶⁴ GOLDSTEIN, *supra* note 38, at 231.

⁶⁵ JASSIN & SCHECHTER, *supra* note 39, at 34.

⁶⁶ GOLDSTEIN, *supra* note 38, at 231.

⁶⁷ ARNOLD P. LUTZKER, *CONTENT RIGHTS FOR CREATIVE PROFESSIONALS* 33 (2d ed. 2003).

⁶⁸ See NIMMER, *supra* note 37, at 4-13 § 13.05(A) (4). There is a risk of circularity when discussing the potential market of the original work: “a potential market, no matter how unlikely, has always been supplanted in every fair use case, to the extent that the defendant, by definition, has made some actual use of plaintiff’s work, which use could in turn be defined in terms of the relevant market.” NIMMER, *supra* note 37, at 4-13 § 13.05(A) (4). Therefore, in

copyright holder determines the existence of a causal relationship between infringement and loss of profits, the burden shifts to the infringer to explain how the market for the work would have been harmed “had there been no taking of copyrighted expression.”⁶⁹ In order to deny fair use, the copyright holder has to establish that if the secondary use should become widespread, it would have a harmful effect on the potential market for the copyrighted work.⁷⁰

V. KELLY V. ARRIBA SOFT CORP.

In *Kelly v. Arriba Soft Corp.*,⁷¹ the Ninth Circuit applied the four-factor fair use test to analyze whether a search engine’s use of thumbnail images is a violation of a copyright holder’s rights. In *Kelly*, professional photographer Leslie Kelly (“Kelly”) brought an action against Internet visual image search engine ditto.com, formerly known as Arriba Soft (“Arriba”), for copyright infringement.⁷² Kelly filed suit after he discovered that thirty-five of his copyrighted photographs were located in the search engine’s database without his authorization.⁷³ These photographs were placed on his websites and other websites with which he had a

every fair use case, a secondary use may have a substantial impact on a potential market if that potential is characterized as a hypothetical market for licensing the very use at issue. NIMMER, *supra* note 37, at 4-13 § 13.05(A) (4).

⁶⁹ Harper & Row, Publishers Inc. v. Nation Enters., 471 U.S. 539, 568 (1985).

⁷⁰ *Id.* There is a risk of circularity when discussing the potential market of the original work “a potential market, no matter how unlikely, has always been supplanted in every fair use case, to the extent that the defendant, by definition, has made some actual use of plaintiff’s work, which use could in turn be defined in terms of the relevant market.” NIMMER, *supra* note 37 at 4-13 § 13.05(A) (4). Therefore, in every fair use case, a secondary use may have a substantial impact on a potential market if that potential is characterized as a hypothetical market for licensing the very use at issue. NIMMER, *supra* note 37 at 4-13 § 13.05(A) (4).

⁷¹ *Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003).

⁷² *Id.* at 815.

⁷³ Robert W. Clarida, *Fair Use on the Web-A Whole New Ballgame?*, (Nov. 2000), <http://www.legallanguage.com/lawarticles/Clarida003.html> (last visited Mar. 7, 2006) (on file with the North Carolina Journal of Law & Technology).

licensing agreement.⁷⁴ Arriba acquired its database of images through the operation of a computer program that “crawls” websites in search of images.⁷⁵ The captured images, including Kelly’s photographs, were reproduced on Arriba’s server.⁷⁶ The program utilized these reproductions to create smaller, lower resolution thumbnail images.⁷⁷ Once the thumbnail images were produced, the program removed the full-sized images from the server.⁷⁸ These thumbnails, when accessed by someone on the Internet, could then be reproduced onto a computer’s hard drive or a disk.⁷⁹ However, a user could not expand the size of the thumbnail without losing its clarity.⁸⁰

The Arriba program allowed the user to enlarge the thumbnail image by double-clicking it.⁸¹ Between January 1999 and June 1999, double-clicking the thumbnails would link the user to the “Images Attributes” page.⁸² This page included a description of the size of the image, a link to the originating website, the Arriba banner, and Arriba advertising.⁸³ It also used a technique called in-line linking to display the original image:⁸⁴

[i]n-line linking allows one to import a graphic from a source website and incorporate it in one’s own website, creating the appearance that the in-lined graphic is a seamless part of the second web page. The in-line link instructs the user’s browser to retrieve the linked-to image from the source website and display it on the user’s screen, but does so without leaving the linking document.⁸⁵

Therefore, in-line linking enabled the linking party to incorporate the linked image into its own content.⁸⁶ Consequently,

⁷⁴ Brief for Plaintiff-Appellant at 6-7, *Kelly v. Arriba Soft Corp.*, 280 F.3d 934, 938 (9th Cir. 2002) (No. 00-55521).

⁷⁵ *Kelly*, 336 F.3d at 815.

⁷⁶ *Id.*

⁷⁷ *See id.*

⁷⁸ *See id.*

⁷⁹ *Id.*

⁸⁰ *Id.*

⁸¹ *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 815 (9th Cir. 2003).

⁸² *Id.* at 815-16.

⁸³ *Id.* at 816.

⁸⁴ Brief for Plaintiff-Appellant, *supra* note 74, at 10.

⁸⁵ *Kelly*, 336 F.3d at 816.

⁸⁶ *Id.*

even though the image in Arriba's "Image Attributes" page was from the originating website and was not duplicated onto Arriba's server, it was unlikely that a user would know that the image was from another website.⁸⁷ Since a user would never have to visit the images' originating website, Arriba's services were likely to create confusion for users and could negatively impact the originating website's business.

Between July 1999 and August 2000, two links known as "Source" and "Details" were inserted on Arriba's results page containing the thumbnails.⁸⁸ The "Details" link generated a screen resembling the "Images Attributes" page, but with a thumbnail rather than the full-sized image.⁸⁹ When a user clicked on the "Source" link or the thumbnail from the results page, the site generated two new windows on the top of the Arriba page.⁹⁰ The window in the front included only the full-sized image and the window behind it displayed a smaller version of the image's originating website.⁹¹ A portion of Arriba's website was noticeable underneath both of these windows.⁹²

The district court rejected Kelly's argument that these practices constituted copyright infringement and awarded summary judgment for Arriba.⁹³ In rendering its decision, the district court held that the use of both the thumbnail images and the full-sized images constituted fair use.⁹⁴ In response to the district court's decision, Kelly filed a motion for partial summary judgment

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ *Id.*

⁹¹ Kelly v. Arriba Soft Corp., 336 F.3d 811, 816 (9th Cir. 2003).

⁹² *Id.*

⁹³ *Id.*

⁹⁴ *Id.* at 816-17. The district court expanded Kelly's original motion to include a claim for copyright infringement of the full-sized images. *Id.* at 817. The court also expanded the scope of Arriba's concession on the prima facie case to include both the thumbnail images and the full-sized images. *Id.* The district court established that two of the fair use factors weighed in Arriba's favor. In particular, the court found that the character and purpose of Arriba's use was transformative and the use did not hurt the market for or the value of Kelly's images. *Id.*

contending that Arriba infringed on his display, distribution, and reproduction rights through its use of the thumbnail images.⁹⁵ Arriba, in turn, filed a cross-motion for summary judgment.⁹⁶

With regard to liability for direct infringement resulting from in-line linking, the Court of Appeals for the Ninth Circuit found that Arriba had directly infringed on Kelly's right to display his images.⁹⁷ Over one year later, the court withdrew the section of the *Kelly* opinion involving direct infringement on procedural grounds.⁹⁸ It held that the district court should not have reached the issue of whether Arriba's framing of full-sized images constituted direct infringement when neither of the parties filed a motion for summary judgment on this specific claim.⁹⁹

In rendering its decision, the Ninth Circuit balanced the four fair use factors to determine whether the use of thumbnail images violated Kelly's reproduction rights.¹⁰⁰ Focusing specifically on the first and fourth factors—the purpose and character of the use and the effect of the use upon the potential market for, or value of, the copyrighted work¹⁰¹—the court affirmed the district court's holding that Arriba's use of the thumbnail images constituted fair use.¹⁰²

⁹⁵ *Id.* at 816.

⁹⁶ *Id.* In the motion, Arriba acknowledged that Kelly established a prima facie case for copyright infringement. In spite of this, it confined its acknowledgment to the violation of the display and reproduction rights as to the thumbnail images. Arriba contended that its use of the thumbnail images constituted a fair use. *Id.*

⁹⁷ *Perfect 10 v. Google, Inc.*, No. CV 04-9484, slip op. at 17-18 (C.D. CA Feb. 17, 2006).

⁹⁸ *Id.* at 18.

⁹⁹ *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 822 (9th Cir. 2003).

¹⁰⁰ *Id.* at 818.

¹⁰¹ In particular, the Ninth Circuit focused on the transformative nature of the use. The purpose of the transformative analysis is to permit uses of works when those uses add to the public discourse of ideas by incorporating creative expressions that comment on, criticize, or explain works. *See Luther R. Campbell AKA Luke Skywalker v. Acuff-Rose Music*, 510 U.S. 569, 579 (1994) (“[T]he more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.”).

¹⁰² *Kelly*, 336 F.3d at 822.

VI. MISAPPLICATION OF THE FIRST FACTOR

It appears that the Ninth Circuit misapplied the first factor of the fair use test when it ruled that Arriba's image service added "meaning, message, or expression" to the thumbnail images.¹⁰³ In *Kelly*, the court found that, unlike Kelly's images, the thumbnails were small and had a low resolution.¹⁰⁴ In addition, the court held that Arriba's use of Kelly's images was transformative because it served a different function than Kelly's use of his original images:

Kelly's images are artistic works intended to inform and to engage the viewer in an aesthetic experience Arriba's use of Kelly's images in the thumbnails is unrelated to any aesthetic purpose. Arriba's search engine functions as a tool to help index and improve access to images on the internet and their related web sites.¹⁰⁵

The traditional application of transformative use—which focuses on the creation of a new message, meaning, or expression—does not support the court's analysis.¹⁰⁶ Further, the Ninth Circuit may have expanded the definition of transformative use. Arriba's services added no new expression to Kelly's work.¹⁰⁷ Rather, Arriba merely displayed and duplicated it with other photographs.¹⁰⁸ Nor did its services add meaning to Kelly's work.¹⁰⁹ Instead, Arriba simply packaged Kelly's photos with the images of other photographers.¹¹⁰ Finally, it did not express any message by grouping Kelly's photographs with other images.¹¹¹

¹⁰³ See Brief for Plaintiff-Appellant, *supra* note 74, at 29 (arguing that the district court's analysis of the first factor is "seriously flawed").

¹⁰⁴ *Kelly*, 336 F.3d at 818.

¹⁰⁵ *Id.*

¹⁰⁶ Matthew C. Staples, *Annual Review of Law and Technology: I. Intellectual Property: A. Copyright: 1. Digital Media: Kelly v Arriba Soft Corp.*, 18 BERKELEY TECH. L.J. 69, 86 (2003).

¹⁰⁷ Brief of the American Society of Media Photographers, Inc., et al. as Amici Curiae in Support of Plaintiff-Appellant Leslie A. Kelly at 19, *Kelly v. Arriba Soft Corp.*, 280 F.3d 934, 938 (9th Cir. 2002) (No. 00-55521) [hereinafter Amici Curiae Brief].

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*

¹¹⁰ *Id.*

¹¹¹ *Id.*

The Ninth Circuit blurred convenience with transformation in the context of copyright law.¹¹² Although aggregating Kelly's photographs with the images of others was helpful for the users of Arriba's services, Kelly's images were not transformed.¹¹³ The images were merely duplicated and arranged for their accessibility to Arriba's users and for Arriba's own economic advantage.¹¹⁴

Two Second Circuit cases, *Infinity Broadcast Corp. v. Kirkwood*¹¹⁵ and *UMG Recordings, Inc. v. MP3.com*¹¹⁶ highlight how the Ninth Circuit's definition of transformative use is quite expansive when compared to that of the Second Circuit.¹¹⁷ In short, had the Ninth Circuit followed these cases, *Kelly* may have been decided differently.

In *Kirkwood*, the defendant produced a commercial service called Dial-Up that allowed subscribers to listen over the telephone to retransmitted copyrighted radio broadcasts.¹¹⁸ Similar to Arriba, the defendant argued that his use was for information purposes rather than for entertainment purposes.¹¹⁹ The Second Circuit denied the defendant's argument that the use of Infinity's broadcasts had a different purpose than its original use.¹²⁰ Rather, the defendant's retransmissions "leave the character of the original broadcasts unchanged."¹²¹ The court found that the new use was not transformative when it did not add a "new expression, new meaning nor new message" to the original use.¹²² Furthermore, the *Kirkwood* court declared that a difference in purpose is not

¹¹² *Id.*

¹¹³ Amici Curiae Brief, *supra* note 107, at 19.

¹¹⁴ Amici Curiae Brief, *supra* note 107, at 19.

¹¹⁵ 150 F.3d 104 (2d Cir. 1998).

¹¹⁶ 92 F. Supp. 2d 349 (S.D.N.Y. 2000).

¹¹⁷ See Brief for Plaintiff-Appellant, *supra* note 74, at 31-32. Because *Kirkwood* and *MP3* are from the Second Circuit, they are only persuasive authority in the Ninth Circuit.

¹¹⁸ *Kirkwood*, 150 F.3d at 106. See also Brief for Plaintiff-Appellant, *supra* note 86, at 31.

¹¹⁹ *Kirkwood*, 150 F.3d at 108.

¹²⁰ *Id.* See also Brief for Plaintiff-Appellant, *supra* note 74, at 32.

¹²¹ Brief for Plaintiff-Appellant, *supra* note 74, at 32 (quoting *Infinity Broadcast Corp. v. Kirkwood*, 965 F. Supp. 553, 557 (1997)).

¹²² Brief for Plaintiff-Appellant, *supra* note 74, at 32.

necessarily equivalent to transformation.¹²³ The court ultimately found that the lack of transformativeness in the defendant's use outweighed the different purposes proposed by the defendant.¹²⁴

Likewise, the *MP3.com* court denied the transformative use argument brought forth by the defendant.¹²⁵ Defendant MP3.com ("MP3") copied tens of thousands of copyrighted sound recordings from CDs onto its computer servers so as to enable its customers to access the recordings.¹²⁶ MP3 performed this service without the consent of the copyright owners of the sound recordings.¹²⁷ Similar to *Arriba*, MP3 claimed its purpose was to make works more available to subscribers.¹²⁸ The Second Circuit rejected the argument that MP3's website provided a transformative "space shift" by which users can take pleasure in the sound recordings contained on their CDs without having to haul around the physical discs.¹²⁹ Like *Arriba*, MP3 did not enhance the copyrighted works in any way by adding new aesthetics or new insights.¹³⁰ The *MP3.com* court reasoned that the copies were merely being retransmitted in a different medium.¹³¹ The Second Circuit found that retransmission in a different medium is an inadequate basis for a claim of transformation and, "[w]hile such services may be innovative, they are not transformative."¹³² In addition, the court differentiated convenience from transformation. It found that copyright is not intended to provide convenience but rather to safeguard the copyright holder's property interests.¹³³

¹²³ *Infinity Broadcast Corp. v. Kirkwood*, 150 F.3d 104, 108 (2d Cir. 1998).

¹²⁴ *Id.* at 109.

¹²⁵ *UMG Recordings, Inc. v. MP3.com*, 92 F. Supp. 2d 349, 351 (S.D.N.Y. 2000). *See also* Brief for Plaintiff-Appellant, *supra* note 74, at 32.

¹²⁶ *MP3.com*, 92 F. Supp. 2d at 350.

¹²⁷ *Id.*

¹²⁸ Brief for Plaintiff-Appellant, *supra* note 74, at 32.

¹²⁹ *MP3.com*, 92 F. Supp. 2d at 351.

¹³⁰ *See id.*

¹³¹ *UMG Recordings, Inc. v. MP3.com*, 92 F. Supp. 2d 349, 351 (S.D.N.Y. 2000).

¹³² *Id.*

¹³³ *Id.* at 352.

The *Kelly* court distinguished *Kirkwood* and *MP3.com* from the facts of *Kelly*.¹³⁴ It found that Arriba's use of images was more than a transmission of *Kelly's* images in a different format.¹³⁵ The court reasoned that Arriba's use was transformative because the search engine had a different purpose than that of *Kelly*: Arriba's use of the images served to improve access to information on the Internet, whereas *Kelly's* use was for aesthetic purposes.¹³⁶ The Ninth Circuit reasoned that in *MP3*, where the defendant duplicated music CDs in computer MP3 format, both mediums were used for the ultimate purpose of entertaining the public.¹³⁷ Likewise, the Ninth Circuit concluded that in *Kirkwood*, retransmitting radio broadcasts so that they were available over telephone lines did not change the fact that subscribers could use both types of transmissions for the same purpose.¹³⁸

In both Second Circuit cases, the new use was clearly a substitute for the original. Although *Kelly's* thumbnails did not serve as an exact substitute for the original, the Ninth Circuit failed to address the argument that, like *Kirkwood* and *MP3.com*, Arriba's use of the copyrighted work was effectively the same as *Kelly's* use.¹³⁹ Both *Kelly's* website and Arriba's website generated profits by selling advertising, products, and services.¹⁴⁰ And, in order to draw visitors and retain them at their respective websites, both *Kelly* and Arriba displayed photographic images.¹⁴¹

The Ninth Circuit disregarded the fact that *Kelly's* use of the images was not exclusively for artistic expression. Rather, both Arriba and *Kelly's* use of the images served the same central purpose: to attract viewers to their respective websites and to sell products.¹⁴² Unlike *Kelly*, visual image search engines do not produce their own images, but rather copy them. As a result,

¹³⁴ *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 819 (9th Cir. 2003).

¹³⁵ *Id.*

¹³⁶ *Id.*

¹³⁷ *Id.*

¹³⁸ *Id.*

¹³⁹ See Brief for Plaintiff-Appellant, *supra* note 74, at 29.

¹⁴⁰ Brief for Plaintiff-Appellant, *supra* note 74, at 29.

¹⁴¹ Brief for Plaintiff-Appellant, *supra* note 74, at 29.

¹⁴² See Brief for Plaintiff-Appellant, *supra* note 74, at 30.

Arriba duplicated Kelly's purpose for its own commercial advantage.¹⁴³ Thus, Arriba's use became precisely what the court said it was not: a mere retransmission of Kelly's images in a different medium.

VII. MISAPPLICATION OF THE FOURTH FACTOR

In addition, it appears that the Ninth Circuit misapplied the fourth factor of the fair use test when it found that Arriba's use of Kelly's images did not negatively affect the market for, or value of, these images.¹⁴⁴ The fourth factor determines the effect of the infringer's use upon the potential market value for the work.¹⁴⁵ It requires courts to take into account whether the new use caused market harm and whether the new user's widespread conduct would result in an adverse impact on the potential market of the copyright holder.¹⁴⁶

Various uses of the same work for differing advertising purposes not approved by the copyright owner frequently diminish the value of the work.¹⁴⁷ For instance, in *Brewer v. Hustler Magazine, Inc.*,¹⁴⁸ the Ninth Circuit recognized that a jury could find that the value of the copyright holder's photograph would suffer from overexposure through the defendant's use.¹⁴⁹

Kelly illustrates that this overexposure is only exacerbated on the Internet.¹⁵⁰ Despite the fact that after 2000, a user was directed to Kelly's website after clicking a thumbnail, Kelly's images still widely suffered from unauthorized exposure. Kelly used the photographs on his website as content in order to attract viewers to his website.¹⁵¹ Original content is advantageous because "[t]he more desirable and unique a web site's content is, the more

¹⁴³ Brief for Plaintiff-Appellant, *supra* note 74, at 30.

¹⁴⁴ See Brief for Plaintiff-Appellant, *supra* note 74, at 41.

¹⁴⁵ 17 U.S.C. § 107 (2000).

¹⁴⁶ See NIMMER, *supra* note 37, at 4-13 § 13.05(A) (4).

¹⁴⁷ Amici Curiae Brief, *supra* note 107, at 12.

¹⁴⁸ 749 F.2d 527 (9th Cir. 1984).

¹⁴⁹ *Id.* at 529.

¹⁵⁰ Amici Curiae Brief, *supra* note 107, at 12.

¹⁵¹ Brief for Plaintiff-Appellant, *supra* note 74, at 42-43.

viewers will visit it, and the more its owners can charge for advertising on it.”¹⁵² Although after 2000, a user was taken to Kelly’s website after clicking on a thumbnail, Arriba still made Kelly’s images accessible on a website other than his own.

Due to the court’s analysis, Kelly essentially was stripped of the power to control how his photographs were utilized.¹⁵³ Kelly did not have the ability to control the conditions or the context in which his photographs were displayed or used.¹⁵⁴ This loss of control could preclude the copyright holder from fully taking advantage of the market for his work.¹⁵⁵ For instance, the thumbnails of Kelly’s images were not displayed with advertising selected and sanctioned by Kelly.¹⁵⁶ Instead, it was chosen by Arriba.¹⁵⁷ As a result, this unauthorized use could ultimately dilute the advertising value of Kelly’s photographs.¹⁵⁸

Although it could be argued that Arriba’s services provided an economic benefit to Kelly’s work by drawing more viewers to *his* websites, courts have previously rejected this assertion.¹⁵⁹ For example, in *DC Comics, Inc. v. Reel Fantasy, Inc.*,¹⁶⁰ the plaintiff book publisher filed an action against the defendant’s store for copyright infringement.¹⁶¹ The court rejected the argument that the defendant’s use of the copyrighted work supported a finding of fair use because the use led to a commercial benefit for the plaintiff.¹⁶² Rather, the court maintained that the advantage of copyright ownership was “the right to license its use for a fee.”¹⁶³ Since one of the economic advantages of copyright ownership is a licensing

¹⁵² Amici Curiae Brief, *supra* note 107, at 13.

¹⁵³ Amici Curiae Brief, *supra* note 107, at 11.

¹⁵⁴ Amici Curiae Brief, *supra* note 107, at 13.

¹⁵⁵ See GORMAN, *supra* note 15, at 12.

¹⁵⁶ Amici Curiae Brief, *supra* note 107, at 10.

¹⁵⁷ Amici Curiae Brief, *supra* note 107, at 10.

¹⁵⁸ Amici Curiae Brief, *supra* note 107, at 12.

¹⁵⁹ See Reply Brief for Plaintiff-Appellant at 23, *Kelly v. Arriba Soft Corp.*, 280 F.3d 934, 938 (9th Cir. 2002) (No. 00-55521).

¹⁶⁰ 696 F.2d 24 (2d Cir. 1982).

¹⁶¹ *Id.* at 25. See also Reply Brief for Plaintiff-Appellant, *supra* note 159, at 23.

¹⁶² *DC Comics*, 696 F.2d. at 28.

¹⁶³ *Id.*

right, the court found that a potential increase in the plaintiff's sales as a result of the defendant's infringement would not invoke the fair use defense as a matter of law.¹⁶⁴

Likewise, in *UMG Recordings, Inc. v. MP3.com*,¹⁶⁵ the court dismissed the defendant's argument that its activities could only increase plaintiff's sales. The defendant asserted that subscribers to defendant's service were unable to retrieve its recordings unless they had already bought or agreed to buy their own CD copies of those recordings.¹⁶⁶ The court found that "any allegedly positive impact of defendant's activities on plaintiffs' prior market in no way frees defendant to usurp a further market that directly derives from reproduction of the plaintiffs' copyrighted works."¹⁶⁷ Thus, an infringer's alleged benefit to the copyright holder does not necessarily sustain a fair use defense.¹⁶⁸

VII. IMPACT OF KELLY V. ARRIBA SOFT ON FUTURE CLAIMS AGAINST SEARCH ENGINES: PERFECT 10 V. AMAZON

Kelly has had an impact on future claims against search engines. Recent legal actions against search engines¹⁶⁹ have shown the ramifications of upholding the fair use defense in light of changing technology on the Internet.¹⁷⁰ For instance, Perfect 10 accused Amazon.com ("Amazon") of distributing and displaying thousands of its copyrighted images on its search engine, A9.¹⁷¹

¹⁶⁴ *Id.*

¹⁶⁵ 92 F. Supp. 2d 349 (2000).

¹⁶⁶ *UMG Recordings, Inc. v. MP3.com*, 92 F. Supp. 2d 349, 352 (S.D.N.Y. 2000).

¹⁶⁷ *Id.*

¹⁶⁸ See Reply Brief for Plaintiff-Appellant, *supra* note 159, at 23.

¹⁶⁹ Perfect 10 v. Google, Inc., No. CV 04-9484 AHM (SHx) (C.D. Cal.), (granting in part and denying in part preliminary injunction); Perfect 10 Inc. v. Amazon.com Inc., C.D. Cal. No.2:05-cv-04753, *motion for a preliminary injunction filed* July 1, 2005, Agence France Presse (AFP) v. Google, Inc., D.C. *motion for a preliminary injunction filed* Mar. 17, 2005.

¹⁷⁰ Both the *Amazon* and *Google* cases are located in the Ninth Circuit and cannot disregard the *Kelly* holding.

¹⁷¹ Amazon Brief, *supra* note 9.

Similar to its claim against Google,¹⁷² Perfect 10 filed a lawsuit in the Ninth Circuit against Amazon for using search and indexing features that ultimately made it too easy for users to access Perfect 10's copyrighted images for free.¹⁷³ In challenging Perfect 10's motion for preliminary injunction, Amazon claimed that its use of thumbnails is safeguarded under *Kelly*.¹⁷⁴ It argued that its use, like Arriba's, is transformative because it functions purely as a research tool as opposed to Perfect 10's use which is for entertainment purposes.¹⁷⁵

This section explores one direction that courts could take when applying *Kelly* to determine whether search engines have a viable fair use defense against copyright infringement for their use of the thumbnails. It also argues that because of *Kelly*'s emphasis on the transformative nature of the secondary use, the other two factors that support a ruling against a fair use claim are likely to be ignored.

Like the *Kelly* court, the *Amazon* court may be disposed to focus on the first and fourth factors of the fair use test.¹⁷⁶ Under the first factor, the purpose and character of use, there is no doubt that Amazon's website is for commercial purpose and that Perfect 10's images are included in its search engine database.¹⁷⁷ Despite the commercial nature of Amazon, the court could find that Perfect

¹⁷² *Supra* note 8.

¹⁷³ *Id.*

¹⁷⁴ *Id.*

¹⁷⁵ *Id.*

¹⁷⁶ In *Kelly*, the court paid little attention to the second and third factors and the court in *Amazon* is likely to give similar treatment to these factors. Using the *Kelly* analysis, the court is likely to hold that the second factor, the nature of the copyrighted work, would weigh only slightly in favor of Perfect 10. Despite the fact that Perfect 10's images were creative in nature and close to the core of copyright protection, the court may find that the use meets the criteria for fair use because Perfect 10's images had previously been published. Moreover, the court is also likely to find that the third factor, the amount and substantiality of the portion used, neither weighs for nor against Perfect 10 and Amazon. Although Amazon copied the entirety of Perfect 10's images, the *Perfect 10* court may determine that the reproductions of the images in their entirety of the images were necessary to allow users to identify the images. See *Kelly v. Arriba Soft Corp. v. Arriba Soft Corp.*, 336 F.3d 811, 818 (9th Cir. 2003).

¹⁷⁷ See *Kelly v. Arriba Soft Corp.*, 336 F.3d at 818.

10's images are not intended to promote Amazon's website nor does Amazon sell Perfect 10's images.¹⁷⁸ As for the second inquiry under the first factor, the court will undoubtedly view the use as transformative because, as in *Kelly*, the court could find that the use serves an entirely different function than that of Perfect 10.¹⁷⁹ The court could reason that Amazon's use serves as a tool to enhance access to images on the Internet whereas Perfect 10's use is for entertainment purposes.¹⁸⁰

Under the fourth factor of the fair use test, the court must consider the effect of Amazon's use on the market and value of Perfect 10's images.¹⁸¹ In *Kelly*, the court did not regard the thumbnail images to have an adverse effect on the market because, in its view, there was no market for these images.¹⁸² However, Perfect 10 argues persuasively that there is a market for its thumbnail images.¹⁸³ Perfect 10 sells approximately 7,000 reduced-sized images per month for display on cell phones.¹⁸⁴ The market for these images is estimated to swell to \$5 billion per year.¹⁸⁵ Furthermore, Perfect 10 claims these smaller images function as an important part of Perfect 10's business portfolio.¹⁸⁶ The court in *Kelly* found that users were doubtful to enlarge the thumbnails and use them for aesthetic purposes because the thumbnails lose their clarity when enlarged.¹⁸⁷ Unlike *Kelly*'s images, the resolution of Perfect 10's reduced-size images is high enough to clearly depict the image, and the images are comparable to those made available by Amazon.¹⁸⁸ According to Perfect 10, this difference alters the fair use analysis, as "today a user need not enlarge the reduced-size images to 'use them for artistic

¹⁷⁸ *Id.*

¹⁷⁹ *Id.*

¹⁸⁰ *Id.*

¹⁸¹ See 17 U.S.C. § 107 (2000).

¹⁸² See *Kelly*, 336 F.3d at 821.

¹⁸³ Amazon Brief, *supra* note 9, at 14.

¹⁸⁴ *Supra* note 8.

¹⁸⁵ *Supra* note 8.

¹⁸⁶ Amazon Brief, *supra* note 9, at 10.

¹⁸⁷ *Kelly v. Arriba Soft Corp.*, 336 F.3d 811 at 818.

¹⁸⁸ Amazon Brief, *supra* note 9, at 11.

purposes.”¹⁸⁹ Given that the images Amazon displays are equivalent in size, dimension, and clarity to the copyrighted images promoted by Perfect 10, Amazon’s images arguably have commercial value comparable to Perfect 10’s images.¹⁹⁰ Further, the *Kelly* court was convinced that there was no damaging effect on Kelly’s market because the search engine would “guide users to Kelly’s web site rather than away from it”¹⁹¹ by displaying the thumbnails on its result page when users searched terms associated with his images.¹⁹² Here, in sharp contrast, Amazon sends users away from Perfect 10’s website to other websites that illegally display Perfect 10’s images.¹⁹³

Based on this analysis, Perfect 10 has a compelling argument that its actual thumbnail images, for which there is an emerging market, have a significant value that can be harmed by Amazon’s use. Although this argument may be persuasive, it is also probable that the court will hold that Amazon’s use falls within the boundaries of fair use.¹⁹⁴ The court is likely to center its reasoning on the transformative nature of Amazon’s use.¹⁹⁵ The *Kelly* court found that a transformative work is unlikely to have a harmful effect on the original’s market value.¹⁹⁶ The *Amazon* court may be inclined to rely on the Ninth Circuit’s reasoning that the thumbnails’ adverse effect on the market would be minimal because the secondary use of Perfect 10’s images is highly transformative.¹⁹⁷

Since the Ninth Circuit ruled that any use of copyrighted content, regardless of commerciality or market harm, may constitute fair use if it is transformative, the future courts’ chief concern will likely be whether the defendant’s use is

¹⁸⁹ Perfect 10 Litigation, *supra* note 8.

¹⁹⁰ Amazon Brief, *supra* note 9, at 9.

¹⁹¹ *Kelly*, 336 F.3d at 821.

¹⁹² *Id.*

¹⁹³ Amazon Brief, *supra* note 9, at 10.

¹⁹⁴ See Staples, *supra* note 106, at 84 (stating that “Kelly indicates that any use of copyrighted content, irrespective of commerciality or the amount used, may be held to constitute fair use if sufficiently transformative.”).

¹⁹⁵ Staples, *supra* note 106, at 84.

¹⁹⁶ *Kelly*, 336 F.3d at 821.

¹⁹⁷ Staples, *supra* note 106, at 84.

transformative.¹⁹⁸ Guided by *Kelly*'s emphasis on transformative use, the court will likely stress that transformative works such as Amazon's thumbnail images are less likely to harm the market for the copyrighted work.¹⁹⁹ The transformative nature of Amazon's thumbnails may be enough to offset the search engine's economic motivation in the court's analysis of the first factor of the fair use test.²⁰⁰ As a result, if this is the case, future courts are likely to overvalue the transformative nature of search engines and undervalue the legitimate rights of the copyright holder. When analyzing fair use, the *Kelly* holding illustrates how courts may fail to consider any other factors beyond transformative use.

IX. OVERLY BROADENED SCOPE OF FAIR USE ON THE INTERNET

The decision in *Kelly* employed a much broader scope for fair use on the Internet than has been recognized with respect to conventional print and broadcast media.²⁰¹ The Ninth Circuit's expansive interpretation of fair use on the Internet may be due to its desire not to put a ceiling on technology. Consequently, many commentators²⁰² have advocated an expansion of fair use on the Internet. For example, a 2003 article by Douglas Lichtman²⁰³ and

¹⁹⁸ Staples, *supra* note 106, at 85.

¹⁹⁹ Staples, *supra* note 106, at 84.

²⁰⁰ Staples, *supra* note 106, at 84.

²⁰¹ Clarida, *supra* note 73 (“[T]he reasoning of *Arriba* marks a significant departure from prior decisions, particularly with respect to transformative use.”).

²⁰² See Kelly Donohue, Recent Article: *Court Gives Thumbs-Up For Use of Thumbnail Pictures Online*, 2002 DUKE L. & TECH. REV. 6 (2002) (giving general approval to the expansive scope of fair use); see also Khoi D. Dang, Case Note: *Kelly v. Arriba Soft Corp.: Copyright Limitations on Technological Innovation on the Internet*, 18 SANTA CLARA COMPUTER & HIGH TECH. L.J. 389, 402 (2002) (“I believe the court reached the correct conclusion regarding both defendant's infringing reproduction and public display of plaintiff's copyrighted works.”).

²⁰³ Douglas Lichtman is Professor of Law at University of Chicago School of Law. <http://www.law.uchicago.edu/faculty/lichtman/> (last visited Mar. 7, 2006) (on file with the North Carolina Journal of Law & Technology). His areas of specialty include patent, copyright, and trademark law, as well as issues related to the Internet. *Id.* His research concerns how technology will redefine traditional legal rules. *Id.*

William Landes²⁰⁴ supported the restraint of new technologies that make use of copyrighted material: “[c]opyright law is important, but at some point copyright incentives must take a backseat to other societal interests including an interest in promoting the development of new technologies and an interest in experimenting with new business opportunities and market structures.”²⁰⁵ Similarly, another commentator²⁰⁶ suggested that the expansive scope of the fair use test on the Internet shows that courts are giving proper consideration to public benefits when weighing the issues of incentives and access.²⁰⁷ Accordingly, “liberal application of the fair use exception may encourage desirable productive uses of content while allowing technological innovators to create new expression through the transformation of existing works.”²⁰⁸

The advocacy advanced on behalf of technological innovation at the expense of the copyright holder reflects the context surrounding *Kelly*. *Kelly* was decided during the infancy of visual search engines and “the Court seemed reluctant to issue a ruling that would substantially threaten, if not kill, this new technology.”²⁰⁹ *Kelly* played a role in encouraging the development of new technology and, more specifically, in facilitating the exponential growth and power of search engines such as Google and A9.

²⁰⁴ William Landes is the Clifton R. Musser Professor of Law and Economics at the University of Chicago Law School, where he teaches intellectual property, <http://www.law.uchicago.edu/faculty/landes/> (last visited Mar. 7, 2006) (on file with the North Carolina Journal of Law & Technology).

²⁰⁵ Douglas Lichtman & William Landes, *Indirect Liability for Copyright Infringement: An Economic Perspective*, 16 HARV. J.L. & TECH. 395 (2003).

²⁰⁶ Staples, *supra* note 106.

²⁰⁷ Staples, *supra* note 106, at 83. Mathew Staples wrote the article while a law student at University of California, Berkeley, Boalt Hall. He is currently an associate for Perkins Coie LLP, <http://www.perkinscoie.com/attorney.cfm?id=00840> (last visited Mar. 7, 2006) (on file with the North Carolina Journal of Law & Technology).

²⁰⁸ Staples, *supra* note 106, at 83.

²⁰⁹ Eugene R. Quinn, Jr., *Web Surfing 101: The Evolving Law of Hyperlinking*, 2 BARRY L. REV. 37, 64 (2001).

The rationale for broadening the scope of fair use to promote the development of new technologies raises several important questions: does this rationale strike the right balance between the competing interests of copyright owners and the public in the realm of the Internet? Now that the technology surrounding visual search engines has advanced, will courts finally look to the interests of the copyright holder? In other words, will the interests of search engines such as Google take a backseat to the copyright holder's rights on the Internet?

The decision in *Kelly* presents compelling questions concerning the degree to which the fair use doctrine will offer protection to parties that knowingly and deliberately copy visual works through technological innovations on the Internet.²¹⁰ As search engines gain disproportional market control, copyright owners are going to have increasing trouble finding a remedy against those who wish to take advantage of their work by "organizing and providing access" to it under the reasoning of *Kelly*.²¹¹

X. CURBING SEARCH ENGINE'S POWER

Kelly held that the use of thumbnails in a search engine constitutes fair use under the Copyright Act.²¹² *Perfect 10 v. Google, Inc.* is one of the first indications that courts are willing to curb search engines' power on the Internet, thereby undercutting the freedom provided to search engines by *Kelly*. As discussed in the Introduction, Perfect 10 accused Google of misappropriating thousands of its images.²¹³ Perfect 10 contended that its reduced-sized images possess commercial value and its business heavily relies on these copyrighted works.²¹⁴ On February 17, 2006, Judge

²¹⁰ Richard S. Taffet & Kelly M. Slavitt, *When Is Display Of Images on Internet Considered Fair Use?; Ninth Circuit's "Kelly" Decisions Present Questions on Protecting Photographic Works*, NY L.J. (Oct. 20, 2003).

²¹¹ Clarida, *supra* note 73.

²¹² *Kelly v. Arriba Soft*, 336 F.3d 811 (9th Cir. 2003).

²¹³ *Perfect 10 v. Google, Inc.*, No. CV 04-9484, slip op. (C.D. Cal. Feb. 17, 2006).

²¹⁴ Perfect 10 claims that Google gave it away, *supra* note 4.

A. Howard Matz of the U.S. District Court of the Central District of California granted a preliminary injunction against Google finding that Google's creation and display of thumbnails of Perfect 10's copyrighted images is not likely to be fair use.²¹⁵ This decision may temper the holding of *Kelly* and strike a balance between the competing interests in copyright law.

In looking to the first factor, the purpose and character of the use, the *Google* court focused on whether the use is commercial and whether the use is transformative.²¹⁶ It determined that Google's use is commercial because displaying the copyrighted images financially benefits the Google Image Search function by increasing user traffic and, thus, increasing advertising revenue.²¹⁷

In determining whether the use is transformative, the court contrasted how Google and Perfect 10 use the copyrighted images.²¹⁸ It found that Perfect 10's use of its photos is primarily to provide entertainment on the Internet and, for some, to create an aesthetic experience.²¹⁹ On the other hand, Google's use is intended to provide expedited and efficient access to Google Image Search users. Like in *Kelly*, the court agreed that Google's use of thumbnails is highly transformative.²²⁰

The court refused to end the fair use analysis after determining the transformative nature of the use, however.²²¹ Instead, it went one step further to hold that Google's use also superseded Perfect 10's images by failing to add a further purpose.²²² The court found that because Perfect 10 licenses its reduced-sized images for downloading and use on cell phones, Google's use of thumbnails superseded Perfect 10's use by profiting from its reduced-sized

²¹⁵ Perfect 10 v. Google, Inc., No. CV 04-9484, slip op. at 33 (C.D. Cal. Feb. 17, 2006).

²¹⁶ *Id.* at 25.

²¹⁷ *Id.*

²¹⁸ *Id.* at 28.

²¹⁹ *Id.*

²²⁰ *See id.*

²²¹ Perfect 10 v. Google, Inc., No. CV 04-9484, slip op. at 29 (C.D. Cal. Feb. 17, 2006).

²²² *Id.*

images.²²³ The court reasoned that cell phone users are able to download and store the thumbnails displayed by Google Image Search onto their phones.²²⁴ Importantly, the size and clarity of thumbnail images that Google displays are equivalent to the reduced-sized images that Perfect 10 licenses.²²⁵

The *Google* court's decision turned on the fourth factor, the impact of Google's use on Perfect 10's market.²²⁶ Under the fourth factor, the court took into consideration that a transformative work is less likely to have an adverse impact on the market of the original than a work that supersedes the copyrighted work.²²⁷ However, the court still found that Google's use of thumbnails is likely to damage Perfect 10's potential market for the downloading of reduced-sized images onto cell phones.²²⁸ The court declared that users are more likely to download free images to their phone than to buy Perfect 10's reduced-sized images.²²⁹

In weighing the four factors, the court found that the first and fourth factor weighed slightly in favor of Perfect 10.²³⁰ Despite the great value that search engines provide to the public, the court concluded that Google directly infringed Perfect 10's copyrights by creating and displaying thumbnail copies of its photographs.²³¹ Agreeing that search engines provide a public benefit and have become indispensable resources of information for individuals, governments, and businesses,²³² the court nevertheless claimed it was:

²²³ *Id.*

²²⁴ *Id.*

²²⁵ *Id.*

²²⁶ *Google Stung by Porn Ruling*, RED HERRING, Feb. 21, 2006, <http://www.redherring.com/article.aspx?a=15816> (last visited Apr. 10, 2006) (on file with the North Carolina Journal of Law & Technology).

²²⁷ Perfect 10 v. Google, Inc., No. CV 04-9484, slip op. at 32 (C.D. Cal. Feb. 17, 2006).

²²⁸ *Id.*

²²⁹ *Id.* at 28-29.

²³⁰ *Id.* at 33. The court also analyzed the second and third factors and, like *Kelly*, found that the second factor weighed slightly in favor of Perfect 10 and the fourth factor weighed in neither Perfect 10's nor Google's favor. *Id.*

²³¹ *Id.* at 46.

²³² *Id.* at 29.

[R]eluctant to issue a ruling that might impede the advance of internet technology, and although it is appropriate for courts to consider the immense value to the public of such technologies, existing judicial precedents do not allow such considerations to trump a reasoned analysis of the four fair use factors.²³³

Although the public's interests are being served by providing quick and efficient access to users, the public's interests can also be served when the copyright holder's rights are safeguarded against illegal use.²³⁴ In sum, this decision may afford copyright holders more protection on the Internet than the *Kelly* holding afforded.

XI. CONCLUSION

As the body of law surrounding the issue of copyrights in the digital age develops, copyright holders' rights continue to be in a state of flux, which could undermine incentives for innovation and ultimately weaken the basic tenets of copyright law. Fair use must not be used to weaken the protections for creative expression embodied by copyright law. The fair use doctrine should instead strike a balance between the rights of copyright owners and the general public. Unfortunately, the *Kelly* decision does not provide a balance between these opposing interests. However, *Google's* ruling may mark a shift in copyright law on the Internet by attempting to balance these interests. Hopefully, subsequent courts, such as the court in *Perfect 10 v. Amazon*, will follow *Google* and seriously consider the harmful effects that an expansive fair use test could have on copyright holders in the realm of the Internet.

²³³ *Perfect 10 v. Google, Inc.*, No. CV 04-9484, slip op. at 33 (C.D. Cal. Feb. 17, 2006).

²³⁴ *Id.* at 46.