

NOTE FROM PROFESSOR OHM: Before reading this opinion, visit <http://images.google.com> and perform a few searches to acquaint yourself with the website. Be sure to click on a few thumbnails to see the way Google “frames” websites as described in the opinion.

United States Court of Appeals, Ninth Circuit

PERFECT 10, INC., a California corporation, Plaintiff-Appellant,

v.

AMAZON.COM, INC., a corporation; A9.com Inc., a corporation, Defendants-Appellees.

Perfect 10, Inc., a California corporation, Plaintiff-Appellant,

v.

Google Inc., a corporation, Defendant-Appellee.

Perfect 10, Inc., a California corporation, Plaintiff-Appellee,

Filed May 16, 2007.

IKUTA, Circuit Judge.

In this appeal, we consider a copyright owner's efforts to stop an Internet search engine from facilitating access to infringing images. Perfect 10, Inc. sued Google Inc., for infringing Perfect 10's copyrighted photographs of nude models, among other claims. * * * The district court preliminarily enjoined Google from creating and publicly displaying thumbnail versions of Perfect 10's images, *Perfect 10 v. Google, Inc.*, 416 F.Supp.2d 828 (C.D. Cal.2006), but did not enjoin Google from linking to third-party websites that display infringing full-size versions of Perfect 10's images. * * *

The district court handled this complex case in a particularly thoughtful and skillful manner. Nonetheless, the district court erred on certain issues, as we will further explain below. We affirm in part, reverse in part, and remand.

I

Background

Google's computers, along with millions of others, are connected to networks known collectively as the “Internet.” “The Internet is a world-wide network of networks . . . all sharing a common communications technology.” *Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs., Inc.*, 923 F.Supp. 1231, 1238 n. 1 (N.D.Cal.1995). Computer owners can provide information stored on their computers to other users connected to the Internet through a medium called a webpage. A webpage consists of text interspersed with instructions written in Hypertext Markup Language (“HTML”) that is stored in a computer. No images are stored on a webpage; rather, the HTML instructions on the webpage provide an address for where the images are stored, whether in the webpage publisher's computer or some other computer. In general, webpages are publicly available and can be accessed by computers connected to the Internet through the use of a web browser.

Google operates a search engine, a software program that automatically accesses thousands of websites (collections of webpages) and indexes them within a database stored on Google's computers. When a Google user accesses the Google website and types in a search query, Google's software searches its database for websites responsive to that search query. Google then sends relevant information from its index of websites to the user's computer. Google's search engines can provide results in the form of text, images, or videos.

The Google search engine that provides responses in the form of images is called "Google Image Search." In response to a search query, Google Image Search identifies text in its database responsive to the query and then communicates to users the images associated with the relevant text. Google's software cannot recognize and index the images themselves. Google Image Search provides search results as a webpage of small images called "thumbnails," which are stored in Google's servers. The thumbnail images are reduced, lower-resolution versions of full-sized images stored on third-party computers.

* * *

In addition to its search engine operations, Google generates revenue through a business program called "AdSense." Under this program, the owner of a website can register with Google to become an AdSense "partner." The website owner then places HTML instructions on its webpages that signal Google's server to place advertising on the webpages that is relevant to the webpages' content. Google's computer program selects the advertising automatically by means of an algorithm. AdSense participants agree to share the revenues that flow from such advertising with Google.

* * *

Perfect 10 markets and sells copyrighted images of nude models. Among other enterprises, it operates a subscription website on the Internet. Subscribers pay a monthly fee to view Perfect 10 images in a "members' area" of the site. Subscribers must use a password to log into the members' area. Google does not include these password-protected images from the members' area in Google's index or database. Perfect 10 has also licensed Fonestarz Media Limited to sell and distribute Perfect 10's reduced-size copyrighted images for download and use on cell phones.

Some website publishers republish Perfect 10's images on the Internet without authorization. Once this occurs, Google's search engine may automatically index the webpages containing these images and provide thumbnail versions of images in response to user inquiries. When a user clicks on the thumbnail image returned by Google's search engine, the user's browser accesses the third-party webpage and in-line links to the full-sized infringing image stored on the website publisher's computer. This image appears, in its original context, on the lower portion of the window on the user's computer screen framed by information from Google's webpage.

* * *

III

Direct Infringement

Perfect 10 claims that Google's search engine program directly infringes two exclusive rights granted to copyright holders: its display rights and its distribution rights.

[The Court held that Google likely directly infringed Perfect 10's display rights by showing thumbnail versions of Perfect 10's photos. The Court also held, however, that Google likely did not infringe Perfect 10's distribution rights (distinguishing, among other cases, *Hotaling v. Church of LDS*) and also did not infringe Perfect 10's display rights by merely *linking to* full-sized infringing images.]

C. Fair Use Defense

Although Perfect 10 has succeeded in showing it would prevail in its prima facie case that Google's thumbnail images infringe Perfect 10's display rights, Perfect 10 must still show a likelihood that it will prevail against Google's affirmative defense. Google contends that its use of thumbnails is a fair use of the images and therefore does not constitute an infringement of Perfect 10's copyright. *See* 17 U.S.C. § 107.

The fair use defense permits the use of copyrighted works without the copyright owner's consent under certain situations. The defense encourages and allows the development of new ideas that build on earlier ones, thus providing a necessary counterbalance to the copyright law's goal of protecting creators' work product. "From the infancy of copyright protection, some opportunity for fair use of copyrighted materials has been thought necessary to fulfill copyright's very purpose" *Campbell*, 510 U.S. at 575, 114 S.Ct. 1164. "The fair use doctrine thus '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.'" *Id.* at 577, 114 S.Ct. 1164 (quoting *Stewart v. Abend*, 495 U.S. 207, 236, 110 S.Ct. 1750, 109 L.Ed.2d 184 (1990)) (alteration in original).

Congress codified the common law of fair use in 17 U.S.C. § 107. * * *

In applying the fair use analysis in this case, we are guided by *Kelly v. Arriba Soft Corp.*, which considered substantially the same use of copyrighted photographic images as is at issue here. *See* 336 F.3d 811. In *Kelly*, a photographer brought a direct infringement claim against Arriba, the operator of an Internet search engine. The search engine provided thumbnail versions of the photographer's images in response to search queries. *Id.* at 815-16. We held that Arriba's use of thumbnail images was a fair use primarily based on the transformative nature of a search engine and its benefit to the public. *Id.* at 818-22. We also concluded that Arriba's use of the thumbnail images did not harm the photographer's market for his image. *Id.* at 821-22.

In this case, the district court determined that Google's use of thumbnails was not a fair use and distinguished *Kelly*. We consider these distinctions in the context of the four-factor fair use analysis, remaining mindful that Perfect 10 has the burden of proving that it will successfully

challenge any evidence Google presents to support its affirmative defense.

Purpose and character of the use. The first factor, 17 U.S.C. § 107(1), requires a court to consider “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.” The central purpose of this inquiry is to determine whether and to what extent the new work is “transformative.” *Campbell*, 510 U.S. at 579, 114 S.Ct. 1164. A work is “transformative” when the new work does not “merely supersede the objects of the original creation” but rather “adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.” *Id.* (internal quotation and alteration omitted). Conversely, if the new work “supersede[s] the use of the original,” the use is likely not a fair use. *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 550-51, 105 S.Ct. 2218, 85 L.Ed.2d 588 (1985) * * *

* * * Google is operating a comprehensive search engine that only incidentally indexes infringing websites. This incidental impact does not amount to an abuse of the good faith and fair dealing underpinnings of the fair use doctrine. Accordingly, we conclude that Google's inclusion of thumbnail images derived from infringing websites in its Internet-wide search engine activities does not preclude Google from raising a fair use defense.

As noted in *Campbell*, a “transformative work” is one that alters the original work “with new expression, meaning, or message.” *Campbell*, 510 U.S. at 579, 114 S.Ct. 1164. “A use is considered transformative only where a defendant changes a plaintiff's copyrighted work or uses the plaintiff's copyrighted work in a different context such that the plaintiff's work is transformed into a new creation.” *Wall Data*, 447 F.3d at 778.

Google's use of thumbnails is highly transformative. In *Kelly*, we concluded that Arriba's use of thumbnails was transformative because “Arriba's use of the images serve[d] a different function than Kelly's use-improving access to information on the [I]nternet versus artistic expression.” *Kelly*, 336 F.3d at 819. Although an image may have been created originally to serve an entertainment, aesthetic, or informative function, a search engine transforms the image into a pointer directing a user to a source of information. Just as a “parody has an obvious claim to transformative value” because “it can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one,” *Campbell*, 510 U.S. at 579, 114 S.Ct. 1164, a search engine provides social benefit by incorporating an original work into a new work, namely, an electronic reference tool. Indeed, a search engine may be more transformative than a parody because a search engine provides an entirely new use for the original work, while a parody typically has the same entertainment purpose as the original work. *See, e.g., id.* at 594-96, 114 S.Ct. 1164 (holding that 2 Live Crew's parody of “Oh, Pretty Woman” using the words “hairy woman” or “bald headed woman” was a transformative work, and thus constituted a fair use); *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 796-98, 800-06 (concluding that photos parodying Barbie by depicting “nude Barbie dolls juxtaposed with vintage kitchen appliances” was a fair use). In other words, a search engine puts images “in a different context” so that they are “transformed into a new creation.” *Wall Data*, 447 F.3d at 778.

The fact that Google incorporates the entire Perfect 10 image into the search engine results does not diminish the transformative nature of Google's use. As the district court correctly noted, we

determined in *Kelly* 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, *Kelly*, 336 F.3d at 818-19. For example, the First Circuit has held that the republication of photos taken for a modeling portfolio in a newspaper was transformative because the photos served to inform, as well as entertain. *See Nunez v. Caribbean Int'l News Corp.*, 235 F.3d 18, 22-23 (1st Cir. 2000). In contrast, duplicating a church's religious book for use by a different church was not transformative. *See Worldwide Church of God v. Phila. Church of God, Inc.*, 227 F.3d 1110, 1117 (9th Cir. 2000). Nor was a broadcaster's simple retransmission of a radio broadcast over telephone lines transformative, where the original radio shows were given no "new expression, meaning, or message." *Infinity Broad. Corp. v. Kirkwood*, 150 F.3d 104, 108 (2d Cir. 1998). Here, Google uses Perfect 10's images in a new context to serve a different purpose.

The district court nevertheless determined that Google's use of thumbnail images was less transformative than Arriba's use of thumbnails in *Kelly* because Google's use of thumbnails superseded Perfect 10's right to sell its reduced-size images for use on cell phones. The district court stated that "mobile users can download and save the thumbnails displayed by Google Image Search onto their phones," and concluded "to the extent that users may choose to download free images to their phone rather than purchase [Perfect 10's] reduced-size images, Google's use supersedes [Perfect 10's]."

Additionally, the district court determined that the commercial nature of Google's use weighed against its transformative nature. Although *Kelly* held that the commercial use of the photographer's images by Arriba's search engine was less exploitative than typical commercial use, and thus weighed only slightly against a finding of fair use, *Kelly*, 336 F.3d at 818-20, the district court here distinguished *Kelly* on the ground that some website owners in the AdSense program had infringing Perfect 10 images on their websites. The district court held that because Google's thumbnails "lead users to sites that directly benefit Google's bottom line," the AdSense program increased the commercial nature of Google's use of Perfect 10's images.

In conducting our case-specific analysis of fair use in light of the purposes of copyright, *Campbell*, 510 U.S. at 581, 114 S.Ct. 1164, we must weigh Google's superseding and commercial uses of thumbnail images against Google's significant transformative use, as well as the extent to which Google's search engine promotes the purposes of copyright and serves the interests of the public. Although the district court acknowledged the "truism that search engines such as Google Image Search provide great value to the public," the district court did not expressly consider whether this value outweighed the significance of Google's superseding use or the commercial nature of Google's use. The Supreme Court, however, has directed us to be mindful of the extent to which a use promotes the purposes of copyright and serves the interests of the public. *See Campbell*, 510 U.S. at 579, 114 S.Ct. 1164; *Harper & Row*, 471 U.S. at 556-57, 105 S.Ct. 2218; *Sony*, 464 U.S. at 431-32, 104 S.Ct. 774.

We note that the superseding use in this case is not significant at present: the district court did not find that any down loads for mobile phone use had taken place. Moreover, while Google's use of thumbnails to direct users to AdSense partners containing infringing content adds a commercial dimension that did not exist in *Kelly*, the district court did not determine that this commercial element was significant. The district court stated that Google's AdSense programs

as a whole contributed “\$630 million, or 46% of total revenues” to Google's bottom line, but noted that this figure did not “break down the much smaller amount attributable to websites that contain infringing content.”

We conclude that the significantly transformative nature of Google's search engine, particularly in light of its public benefit, outweighs Google's superseding and commercial uses of the thumbnails in this case. In reaching this conclusion, we note the importance of analyzing fair use flexibly in light of new circumstances. *Sony*, 464 U.S. at 431-32, 104 S.Ct. 774; *id.* at 448 n. 31, 104 S. Ct. 774 * * * We are also mindful of the Supreme Court's direction that “the 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.” *Campbell*, 510 U.S. at 579, 114 S. Ct. 1164.

Accordingly, we disagree with the district court's conclusion that because Google's use of the thumbnails could supersede Perfect 10's cell phone download use and because the use was more commercial than Arriba's, this fair use factor weighed “slightly” in favor of Perfect 10. Instead, we conclude that the transformative nature of Google's use is more significant than any incidental superseding use or the minor commercial aspects of Google's search engine and website. Therefore, the district court erred in determining this factor weighed in favor of Perfect 10.

The nature of the copyrighted work. With respect to the second factor, “the nature of the copyrighted work,”¹⁷ U.S.C. § 107(2), our decision in *Kelly* is directly on point. There we held that the photographer's images were “creative in nature” and thus “closer to the core of intended copyright protection than are more fact-based works.” *Kelly*, 336 F.3d at 820 (internal quotation omitted). However, because the photos appeared on the Internet before Arriba used thumbnail versions in its search engine results, this factor weighed only slightly in favor of the photographer. *Id.*

Here, the district court found that Perfect 10's images were creative but also previously published. The right of first publication is “the author's right to control the first public appearance of his expression.” *Harper & Row*, 471 U.S. at 564, 105 S. Ct. 2218. Because this right encompasses “the choices of when, where, and in what form first to publish a work,” *id.*, an author exercises and exhausts this one-time right by publishing the work in any medium. Once Perfect 10 has exploited this commercially valuable right of first publication by putting its images on the Internet for paid subscribers, Perfect 10 is no longer entitled to the enhanced protection available for an unpublished work. Accordingly the district court did not err in holding that this factor weighed only slightly in favor of Perfect 10.^{FN9}

FN9. Google contends that Perfect 10's photographic images are less creative and less deserving of protection than the images of the American West in *Kelly* because Perfect 10 boasts of its un-retouched photos showing the natural beauty of its models. Having reviewed the record, we conclude that the district court's finding that Perfect 10's photographs “consistently reflect professional, skillful, and sometimes tasteful artistry” is not clearly erroneous. We agree with the district court that there is no basis for concluding that photos of the American West are more deserving of protection than

photos of nude models.

The amount and substantiality of the portion used. “The third factor asks whether the amount and substantiality of the portion used in relation to the copyrighted work as a whole ... are reasonable in relation to the purpose of the copying.” *Campbell*, 510 U.S. at 586, 114 S. Ct. 1164 (internal quotation omitted); *see also* 17 U.S.C. § 107(3). In *Kelly*, we held Arriba's use of the entire photographic image was reasonable in light of the purpose of a search engine. *Kelly*, 336 F.3d at 821. Specifically, we noted, “[i]t was necessary for Arriba to copy the entire image to allow users to recognize the image and decide whether to pursue more information about the image or the originating [website]. If Arriba only copied part of the image, it would be more difficult to identify it, thereby reducing the usefulness of the visual search engine.” *Id.* Accordingly, we concluded that this factor did not weigh in favor of either party. *Id.* Because the same analysis applies to Google's use of Perfect 10's image, the district court did not err in finding that this factor favored neither party.

Effect of use on the market. The fourth factor is “the effect of the use upon the potential market for or value of the copyrighted work.” 17 U.S.C. § 107(4). In *Kelly*, we concluded that Arriba's use of the thumbnail images did not harm the market for the photographer's full-size images. *See Kelly*, 336 F.3d at 821-22. We reasoned that because thumbnails were not a substitute for the full-sized images, they did not harm the photographer's ability to sell or license his full-sized images. *Id.* The district court here followed *Kelly*'s reasoning, holding that Google's use of thumbnails did not hurt Perfect 10's market for full-size images.

Perfect 10 argues that the district court erred because the likelihood of market harm may be presumed if the intended use of an image is for commercial gain. However, this presumption does not arise when a work is transformative because “market substitution is at least less certain, and market harm may not be so readily inferred.” *Campbell*, 510 U.S. at 591, 114 S. Ct. 1164. As previously discussed, Google's use of thumbnails for search engine purposes is highly transformative. Because market harm cannot be presumed, and because Perfect 10 has not introduced evidence that Google's thumbnails would harm Perfect 10's existing or potential market for full-size images, we reject this argument.

Perfect 10 also has a market for reduced-size images, an issue not considered in *Kelly*. The district court held that “Google's use of thumbnails likely does harm the potential market for the downloading of [Perfect 10's] reduced-size images onto cell phones.” The district court reasoned that persons who can obtain Perfect 10 images free of charge from Google are less likely to pay for a download, and the availability of Google's thumbnail images would harm Perfect 10's market for cell phone downloads. As we discussed above, the district court did not make a finding that Google users have downloaded thumbnail images for cell phone use. This potential harm to Perfect 10's market remains hypothetical. We conclude that this factor favors neither party.

Having undertaken a case-specific analysis of all four factors, we now weigh these factors together “in light of the purposes of copyright.” *Campbell*, 510 U.S. at 578, 114 S. Ct. 1164; *see also Kelly*, 336 F.3d at 818 (“We must balance[the section 107] factors in light of the objectives of copyright law, rather than view them as definitive or determinative tests.”). We note that

Perfect 10 has the burden of proving that it would defeat Google's affirmative fair use defense [at the preliminary injunction phase.] In this case, Google has put Perfect 10's thumbnail images (along with millions of other thumbnail images) to a use fundamentally different than the use intended by Perfect 10. In doing so, Google has provided a significant benefit to the public. Weighing this significant transformative use against the unproven use of Google's thumbnails for cell phone downloads, and considering the other fair use factors, all in light of the purpose of copyright, we conclude that Google's use of Perfect 10's thumbnails is a fair use. Because the district court here “found facts sufficient to evaluate each of the statutory factors ... [we] need not remand for further fact-finding.” *Harper & Row*, 471 U.S. at 560, 105 S. Ct. 2218 (internal quotation omitted). We conclude that Perfect 10 is unlikely to be able to overcome Google's fair use defense and, accordingly, we vacate the preliminary injunction regarding Google's use of thumbnail images.