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4) Copyright 1: Direct infringement, sampling, mash-ups

- *Playboy Enterprises v. Webbworld*, 991 F.Supp. 543 (N.D.Tex. 1997)
- *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993)
- *Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003)
- *United States v. LaMacchia*, 871 F. Supp. 535 (D. Mass. 1994)
- *Creative Commons*, <<http://creativecommons.org/about/licenses/>>
- *Grey Album*, see <<http://www.greytuesday.org/>>
- *Code*, chapters 9-10

For further reading (optional):

- John Perry Barlow, *The Economy of Ideas*, Wired, July 1995, <http://www.wired.com/wired/archive/2.03/economy.ideas_pr.html>
- Jessica Litman, *The Exclusive Right to Read*, 13 Cardozo Arts & Ent. L.J. 29 (1994) <<http://www.law.wayne.edu/litman/papers/read.htm>>
- Jane Ginsburg, *From Having Copies to Experiencing Works: The Development of an Access Right in U.S. Copyright Law*, 50 J. Copyr. Soc. 113 (2003)

Computers are magnificent copying machines. Every activity on the Internet, from sending email to web browsing to watching a movie, makes "copies" – and that brings out the copyright lawyers. Our tour of online copyright starts here, with direct infringement and fair use.

Copyright is a statutory bundle of rights of the copyright holder, limited by exceptions including fair use.

17 U.S.C. § 106. Exclusive rights in copyrighted works

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

Read *Playboy Enterprises v. Webbworld* and *MAI Systems Corp. v. Peak Computer, Inc.* with an eye to the question of “what is a copy?” Does the *Webbworld* court have difficulty with this question? Does *MAI v. Peak*? Do the courts’ decisions seem like good law? Good policy?

Follow-up to *MAI* and *U.S. v. LaMacchia* show Congressional response to developments in copyright law and technology. In each case, Congress acted quickly to overrule specific results of the cases, in one creating a new exception to copyright, in the other, expanding the scope of criminal copyright infringement.

In *Kelly v. Arriba Soft*, the defendant image search engine conceded copying plaintiff’s photos, but claimed that copying into its database and display of thumbnail images in response to searches was fair use. Follow the four-factor fair use analysis. What were the photographer’s strongest arguments? What were the search engine’s? A second issue in this case involved the display of “inline” images: when you clicked a thumbnail in the search results, you would be shown the full-size image, drawn from its original site but without any of the host site’s surrounding content. The Ninth Circuit did not address this issue for procedural reasons, and the case settled before the district court could. How would your fair use analysis compare for this aspect of image search?

Internet technology enables lots of creative juxtapositions of copyrighted works: search engines, sampling, web-based commentary, and re-mixing. Where is the line between “creative re-use” and “infringement”? Where does *The Grey Album*, *see* <<http://www.greytuesday.org/>>, fall? Creative Commons offers copyright licenses to make it easy for creators to encourage re-use of their works, with “some rights reserved” instead of all. Explore the Creative Commons website, <<http://creativecommons.org/>>, to see how the licenses work and the types of media to which people have applied them.

Playboy Enterprises, Inc. v. Webbworld, Inc.
991 F. Supp. 543 (N.D.Tex. 1997)

...

II. FACTUAL BACKGROUND

Since approximately 1953, Playboy Enterprises, Inc. ("PEI"), has published the monthly *Playboy* magazine and other publications. It is undisputed here that PEI ... holds valid copyrights for the images in its magazine issues and other publications.

Defendant Webbworld, Inc. ("Webbworld"), is a Texas corporation that operated "Netpics," an adult-oriented site on the Internet's World Wide Web, from about May 1996 until February 1997. Webbworld ceased operating at that time upon seizure of their equipment in a raid by the Fort Worth police on charges of child pornography. The gravamen of PEI's Complaint here is that the Defendants infringed certain copyrighted nude and semi-nude female images ("the images"), some of which bore PEI trademarks. Webbworld made those images available on the Netpics site to Internet users for a monthly subscription fee.

...

The equipment for Webbworld's Netpics website consisted of fifteen personal computers, a modem, and three telephone lines, all of which were located in an office building in Dallas, Texas. One of the computers functioned as a news server; one handled accounting and administrative data; and the remaining twelve were used as web servers. The web servers were where the Netpics site "existed" on the World Wide Web. They were used to store, reproduce, display, and distribute adult images to Webbworld subscribers.

Webbworld obtained the images that it sold from selected adult-oriented Internet "newsgroups" ... according to the following general method. Defendant Ellis selected the particular adult-oriented newsgroups to be downloaded. Periodically, Webbworld received a "news feed," which consisted of digital files from the selected adult newsgroups. The information was downloaded onto the news server computer. The feed consisted of both text and images, representing all of the new material that had been posted onto the newsgroup since the last feed.

The heart of the Webbworld operation was "ScanNews," software that Ellis had developed. ScanNews took the news feed, discarded most of the text, and retained the sexually-oriented images. A small amount of identifying text was sometimes retained. After the news feed was edited, the news server would announce to the twelve web servers, via the ScanNews software, that its images were ready to be transferred. Each of the web servers would contact the news server computer and copy into memory the new adult images stored there. The news server then discarded that data to make room for the next news feed.

Besides discarding text, the ScanNews software altered the news feed in a second way. It created two "thumbnail" copies, one large and one small, for each of the adult images downloaded from the Usenet. The thumbnail images enabled Webworld to display many images on a single screen. Moreover, the thumbnails could be downloaded more quickly than full-sized images. The thumbnails were not part of the news feed; they were created by the ScanNews software to facilitate Webworld's sale of the images they represented.

After being loaded onto the web servers, the thumbnail and full-sized adult images were available to any Internet user willing to pay Webworld a subscription fee of \$ 11.95 per month. The subscription process could be completed online in about 30 seconds with a major credit card. Before gaining access to the Webworld Netpics site on the World Wide Web, a potential user would first have had to gain access to the Internet via his or her Internet service provider ("ISP"), sometimes called an access provider ("IAP"). Then, the person would employ browser software to access various sites on the World Wide Web. Webworld's Internet address was "<http://www.netpics.com>." That address would be typed into a user's browser software for immediate access to Webworld's site.

Upon entering Netpics, a subscriber was given the choice whether to view images in large or small thumbnail format. After making that choice, the user could view a full-sized image by clicking on the corresponding thumbnail. Webworld provided instructions to its subscribers about viewing images and about downloading them into the memories of their own computers for later retrieval.

Every day, Webworld obtained between 5,000 and 10,000 new images. An approximately equal number were deleted to make room for the new arrivals. On average, an image was stored on Webworld's computers and thus made available to subscribers for about six days before being deleted. Webworld normally stored and displayed about 40,000 to 70,000 images at any given time.

During the time Webworld was in operation, many hundreds of copyrighted PEI images appeared on the website. Some of those images appeared in close association with one or more of PEI's trademarks. PEI never authorized Webworld to reproduce, display, or distribute any of those images or marks.

III. DIRECT COPYRIGHT INFRINGEMENT

Based on the facts related above, PEI alleges that Defendant Webworld is directly liable for copyright infringement. For the reasons that follow, the Court agrees.

To prevail on a claim for direct copyright infringement, PEI must prove (1) ownership of the asserted copyrights, and (2) "copying" by Webworld. Direct infringement does not require intent or any particular state of mind. *Religious Tech. Center v. Netcom On-Line Comm. Servs*, 907 F. Supp. 1361, 1367 (N.D. Cal. 1995); see *Playboy Enterprises, Inc. v. Frena*, 839 F. Supp. 1552, 1559 (M.D. Fla. 1993) ("Intent or knowledge is not an element of infringement, and thus even an innocent infringer is liable . . ."); *Key Maps, Inc. v.*

[Pruitt, 470 F. Supp. 33, 38 \(S.D. Tex. 1978\)](#) (explaining that intent to infringe need not be proved).

In this case, PEI has submitted to the Court twenty-nine copyright certificates of registration. The parties have stipulated that the registrations are valid and enforceable. Accordingly, the sole element of infringement remaining for PEI to prove is whether Webworld "copied" the registered images.

"Copying" is a judicial shorthand for the infringement of any of a copyright owner's exclusive rights. *see* [17 U.S.C. § 106](#) (setting forth a copyright owner's rights). Because direct proof of copying is rarely available to a copyright owner, copying is normally shown by proving (a) that a defendant had access to the copyrighted work; and (b) substantial similarity between the copyrighted work and the accused work. Alternatively, where proof of access is absent, copying may be proved by showing a "striking similarity" between the copyrighted work and the accused work. [Ferguson v. National Broadcasting Co., 584 F.2d 111, 113 \(5th Cir. 1978\)](#) (holding that if two works are so strikingly similar as to preclude the possibility of independent creation, copying may be proved without a showing of access).

In this case, Webworld cannot claim to have lacked access to PEI's famous publications. The uncontroverted testimony at trial is that PEI's periodicals are widely distributed throughout the United States.

Even if proof of access were lacking, however, the Court would still find "copying" to exist. The electronic images downloaded from Webworld's computers and offered as evidence at trial are not merely "strikingly similar" to PEI's photographs, but are virtually identical. *See* Exh. 5 (consisting of twenty-nine tabs with the relevant copyright registration, a photocopy of the copyrighted images, and copies of identical images downloaded from the Netpics site). Furthermore, a few of Netpics' electronic copies self-proclaim their origin by bearing a PEI title or emblem.

Having established that the accused electronic files are copies of PEI's photographs, PEI must establish that Webworld has violated one or more of the five exclusive rights granted to a copyright holder. Under The Copyright Act, the bundle of rights enjoyed by a copyright owner includes, among other things, the exclusive right to do, or to authorize, any of the following:

- (1) Reproduce the copyrighted work;
- (2) Distribute copies of the copyrighted work to the public by sale or other transfer of ownership; and/or
- (3) Display the copyrighted work publicly.

[17 U.S.C. § 106](#). Using, or authorizing the use of, a copyrighted work in any one of these three ways, without permission of the copyright owner, constitutes actionable copyright

infringement. [17 U.S.C. § 501\(a\)](#). In this case, PEI has established by a preponderance of the evidence that Webworld violated all three of these rights.

First, Webworld "reproduced" unauthorized copies of copyrighted PEI images. On each of the twelve Webworld web server computers and for each of the images at issue, Webworld created two thumbnail copies and also reproduced a full-sized image downloaded from the newsgroup. See [MAI Systems Corp. v. Peak Computer, Inc.](#), 991 F.2d 511, 519 (9th Cir. 1993), cert. *dism'd*, 510 U.S. 1033 (1994) (holding that copying occurs when a computer program is transferred from a permanent storage device to a computer's random access memory).

Second, Webworld "distributed" PEI's copyrighted works by allowing its users to download and print copies of electronic image files. Those files, stored on the web servers, contained virtually exact reproductions of copyrighted PEI images. Thus, Webworld violated PEI's exclusive right to distribute its copyrighted works.

Finally, Webworld violated PEI's exclusive right to "display" its copyrighted works. To display a work means "to show a copy of it, either directly or by means of a film, slide, television image, or any other device or process." [17 U.S.C. § 101](#). Webworld allowed its paying subscribers to view PEI's copyrighted works on their computer monitors while online. Such action constitutes a display, as the *Frena* court explains:

The concept of display is broad. It covers "the projection of an image on a screen or other surface by any method, the transmission of an image by electronic or other means, and the showing of an image on a cathode ray tube, or similar viewing apparatus connected with any sort of information storage and retrieval system." H.R. Rep. No. 1476, 94th Cong., 2d Sess. 64 (Sept. 3, 1976), *reprinted in* 1976 U.S. Code Cong. & Admin. News 5659, 5677. The display right precludes unauthorized transmission of the display from one place to another, for example, by a computer system. See H.R. Rep. No. 1476, 94th Cong., 2d Sess. 80 (Sept. 3, 1976), *reprinted in* 1976 U.S. Code Cong. & Admin. News 5659, 5694. [839 F. Supp. at 1556-57.](#)

Defendant Ives testified that no image existed until the Netpics subscriber downloaded it. That assertion is disingenuous. The image existed in digital form on Webworld's servers, which made it available for decoding as an image file by the subscriber's browser software. The subscriber could view the images merely by visiting the Webworld site. The evidence unequivocally shows that Webworld electronically reproduced, distributed, and displayed PEI's protected images.

Webworld's primary defense to the claim of copyright infringement is that, as a provider of access to Usenet images, it served as a mere conduit between its subscribers and adult-oriented newsgroups. See [Religious Technology Center v. Netcom On-Line Communication Services, Inc.](#), 907 F. Supp. 1361, 1372-73 (N.D. Cal. 1995) ("*RTC*"). In *RTC*, the district court held that an Internet access provider and Internet bulletin board service operator were not directly liable for copyright infringement. [Id. at 1366-72, 1381-82](#). The court reasoned, in part, that they were mere conduits for unaltered information,

even though infringing files were temporarily stored on their computers. *Id.* Here, Webworld principals testified similarly that the infringing images would have existed on the Usenet whether or not Webworld provided access to them or not. They argue that to hold them liable would be to hold the entire Internet liable for activities that cannot reasonably be monitored or deterred.

Webworld's argument was rejected at summary judgment and is similarly unavailing after the additional evidence presented at trial. See [Webworld, 968 F. Supp. at 1177](#). Unlike the defendant service provider in *RTC*, Webworld did not function as a mere provider of access. To visit the Netpics site, a subscriber first was required to gain access to the Internet itself by using an Internet service provider such as the defendant in *RTC*. Webworld did not sell access; it sold adult images.

Also unlike the Defendant in *RTC*, Webworld did not function as a passive conduit of unaltered information. Instead, Webworld functioned primarily as a store, a commercial destination within the Internet. Just as a merchant might re-package and sell merchandise from a wholesaler, so did Webworld re-package (by deleting text and creating thumbnails) and sell images it obtained from the various newsgroups. In contrast to the defendants in *RTC*, Webworld took "affirmative steps to cause the copies to be made." [RTC, 907 F. Supp. at 1381](#). Such steps included using the ScanNews software to troll the Usenet for Webworld's product.

Webworld contends that it had no control over the information its software retrieved from the Usenet and no control over the images posted therein. See [RTC, 907 F. Supp. at 1372](#) (finding no liability because the defendant access provider "does not create or control the content of the information available to its subscribers"). On the contrary, Webworld exercised total dominion over the content of its site and the product it offered its clientele. As a shop owner may choose from what sources he or she contracts to buy merchandise, so, too, did Webworld have the ability to choose its newsgroup sources. Clearly, a newsgroup named, for example, "alt.sex.playboy" or "alt.mag.playboy" might instantly be perceived as problematic from the standpoint of federal copyright law. Alternatively, Webworld might simply have refrained from conducting business until it had developed software or a manual system of oversight to prevent, or at least to minimize the possibility of, copyright infringement. In any event, having developed and launched the ScanNews software for commercial use, Webworld cannot now evade liability by claiming helplessness in the face of its "automatic" operation.

For those reasons, the Court rejects Webworld's defenses and holds it directly liable for infringing PEI's twenty-nine copyright registrations at issue in trial of this case.

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Mai Systems Corp. v. Peak Computer, Inc. 991 F.2d 511 (9th Cir. 1993)

...

MAI Systems Corp., until recently, manufactured computers and designed software to run those computers. The company continues to service its computers and the software necessary to operate the computers. MAI software includes operating system software, which is necessary to run any other program on the computer.

Peak Computer, Inc. is a company organized in 1990 that maintains computer systems for its clients. Peak maintains MAI computers for more than one hundred clients in Southern California. This accounts for between fifty and seventy percent of Peak's business.

Peak's service of MAI computers includes routine maintenance and emergency repairs. Malfunctions often are related to the failure of circuit boards inside the computers, and it may be necessary for a Peak technician to operate the computer and its operating system software in order to service the machine.

...

IV. COPYRIGHT INFRINGEMENT

The district court granted summary judgment in favor of MAI on its claims of copyright infringement and issued a permanent injunction against Peak on these claims. The alleged copyright violations include: (1) Peak's running of MAI software licenced to Peak customers...

A. Peak's running of MAI software licenced to Peak customers

To prevail on a claim of copyright infringement, a plaintiff must prove ownership of a copyright and a "'copying' of protectable expression" beyond the scope of a license.

MAI software licenses allow MAI customers to use the software for their own internal information processing. This allowed use necessarily includes the loading of the software into the computer's random access memory ("RAM") by a MAI customer. However, MAI software licenses do not allow for the use or copying of MAI software by third parties such as Peak. Therefore, any "copying" done by Peak is "beyond the scope" of the license.

...

The district court's grant of summary judgment on MAI's claims of copyright infringement reflects its conclusion that a "copying" for purposes of copyright law occurs when a computer program is transferred from a permanent storage device to a computer's RAM. This conclusion is consistent with its finding, in granting the preliminary injunction, that: "the loading of copyrighted computer software from a storage medium (hard disk, floppy disk, or read only memory) into the memory of a central processing

unit ("CPU") causes a copy to be made. In the absence of ownership of the copyright or express permission by license, such acts constitute copyright infringement." We find that this conclusion is supported by the record and by the law.

Peak concedes that in maintaining its customer's computers, it uses MAI operating software "to the extent that the repair and maintenance process necessarily involves turning on the computer to make sure it is functional and thereby running the operating system." It is also uncontroverted that when the computer is turned on the operating system is loaded into the computer's RAM. As part of diagnosing a computer problem at the customer site, the Peak technician runs the computer's operating system software, allowing the technician to view the systems error log, which is part of the operating system, thereby enabling the technician to diagnose the problem.

Peak argues that this loading of copyrighted software does not constitute a copyright violation because the "copy" created in RAM is not "fixed." However, by showing that Peak loads the software into the RAM and is then able to view the system error log and diagnose the problem with the computer, MAI has adequately shown that the representation created in the RAM is "sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration."

After reviewing the record, we find no specific facts (and Peak points to none) which indicate that the copy created in the RAM is not fixed. While Peak argues this issue in its pleadings, mere argument does not establish a genuine issue of material fact to defeat summary judgment. A party opposing a properly supported motion for summary judgment may not rest upon the mere allegations or denials in pleadings, but "must set forth specific facts showing that there is a genuine issue for trial.

The law also supports the conclusion that Peak's loading of copyrighted software into RAM creates a "copy" of that software in violation of the Copyright Act. In [Apple Computer, Inc. v. Formula Int'l, Inc., 594 F. Supp. 617, 621 \(C.D. Cal. 1984\)](#), the district court held that the copying of copyrighted software onto silicon chips and subsequent sale of those chips is not protected by § 117 of the Copyright Act. Section 117 allows "the 'owner' of a copy of a computer program to make or authorize the making of another copy" without infringing copyright law, if it "is an essential step in the utilization of the computer program" or if the new copy is "for archival purposes only." [17 U.S.C. § 117](#) (Supp. 1988). One of the grounds for finding that § 117 did not apply was the court's conclusion that the permanent copying of the software onto the silicon chips was not an "essential step" in the utilization of the software because the software could be used through RAM without making a permanent copy.

----- Footnotes -----

n Since MAI licensed its software, the Peak customers do not qualify as "owners" of the software and are not eligible for protection under § 117.

----- End Footnotes-----

While we recognize that this language is not dispositive, it supports the view that the copy made in RAM is "fixed" and qualifies as a copy under the Copyright Act.

We have found no case which specifically holds that the copying of software into RAM creates a "copy" under the Copyright Act. However, it is generally accepted that the loading of software into a computer constitutes the creation of a copy under the Copyright Act. See e.g. [Vault Corp. v. Quaid Software Ltd.](#), 847 F.2d 255, 260 (5th Cir. 1988) ("the act of loading a program from a medium of storage into a computer's memory creates a copy of the program"); 2 [Nimmer on Copyright](#), § 8.08 at 8-105 (1983) ("Inputting a computer program entails the preparation of a copy."); Final Report of the National Commission on the New Technological Uses of Copyrighted Works, at 13 (1978) ("the placement of a work into a computer is the preparation of a copy"). We recognize that these authorities are somewhat troubling since they do not specify that a copy is created regardless of whether the software is loaded into the RAM, the hard disk or the read only memory ("ROM"). However, since we find that the copy created in the RAM can be "perceived, reproduced, or otherwise communicated," we hold that the loading of software into the RAM creates a copy under the Copyright Act. [17 U.S.C. § 101](#). We affirm the district court's grant of summary judgment as well as the permanent injunction as it relates to this issue.

...

In 1998, Congress amended Section 117 of the Copyright Act to overrule the specific holding of *MAI v. Peak* with a "maintenance or repair" exception. "This legislation amends Section 117 to ensure that independent service organizations do not inadvertently become liable for copyright infringement merely because they have turned on a machine in order to service its hardware components." H.R. Rep. 105-551 (1998). The broader import of the case, its holding that temporary RAM copies are "copies" within the meaning of the Copyright Act, was not altered.

Kelly v. Arriba Soft Corp.,

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

This case involves the application of copyright law to the vast world of the internet and internet search engines. The plaintiff, Leslie Kelly, is a professional photographer who has copyrighted many of his images of the American West. Some of these images are located on Kelly's web site or other web sites with which Kelly has a license agreement. The defendant, Arriba Soft Corp., [now Ditto.com,] operates an internet search engine that displays its results in the form of small pictures rather than the more usual form of text. Arriba obtained its database of pictures by copying images from other web sites. By clicking on one of these small pictures, called "thumbnails," the user can then view a large version of that same picture within the context of the Arriba web page.

When Kelly discovered that his photographs were part of Arriba's search engine database, he brought a claim against Arriba for copyright infringement. ...

The search engine at issue in this case is unconventional in that it displays the results of a user's query as "thumbnail" images. When a user wants to search the internet for information on a certain topic, he or she types a search term into a search engine, which then produces a list of web sites that contain information relating to the search term. Normally, the list of results is in text format. The Arriba search engine, however, produces its list of results as small pictures.

To provide this service, Arriba developed a computer program that "crawls" the web looking for images to index. This crawler downloads full-sized copies of the images onto Arriba's server. The program then uses these copies to generate smaller, lower-resolution thumbnails of the images. Once the thumbnails are created, the program deletes the full-sized originals from the server. Although a user could copy these thumbnails to his computer or disk, he cannot increase the resolution of the thumbnail; any enlargement would result in a loss of clarity of the image.

The second component of the Arriba program occurs when the user double-clicks on the thumbnail. From January 1999 to June 1999, clicking on the thumbnail produced the "Images Attributes" page. This page used in-line linking to display the original full-sized image, surrounded by text describing the size of the image, a link to the original web site, the Arriba banner, and Arriba advertising. ...

In January 1999, Arriba's crawler visited web sites that contained Kelly's photographs. The crawler copied thirty-five of Kelly's images to the Arriba database. Kelly had never given permission to Arriba to copy his images and objected when he found out that Arriba was using them. Arriba deleted the thumbnails of images that came from Kelly's own web sites and placed those sites on a list of sites that it would not crawl in the future. Several months later, Arriba received Kelly's complaint of copyright infringement, which identified other images of his that came from third-party web sites. Arriba subsequently

deleted those thumbnails and placed those third-party sites on a list of sites that it would not crawl in the future.

...

An owner of a copyright has the exclusive right to reproduce, distribute, and publicly display copies of the work. To establish a claim of copyright infringement by reproduction, the plaintiff must show ownership of the copyright and copying by the defendant. As to the thumbnails, Arriba conceded that Kelly established a prima facie case of infringement of Kelly's reproduction rights.

A claim of copyright infringement is subject to certain statutory exceptions, including the fair use exception. This exception "permits 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." The statute sets out four factors to consider in determining whether the use in a particular case is a fair use. We must balance these factors in light of the objectives of copyright law, rather than view them as definitive or determinative tests. We now turn to the four fair use factors.

1. Purpose and character of the use.

The Supreme Court has rejected the proposition that a commercial use of the copyrighted material ends the inquiry under this factor. Instead,

[t]he central purpose of this investigation is to see . . . whether the new work merely supersede[s] the objects of the original creation, or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is transformative.

The more transformative the new work, the less important the other factors, including commercialism, become.

There is no dispute that Arriba operates its web site for commercial purposes and that Kelly's images were part of Arriba's search engine database. As the district court found, while such use of Kelly's images was commercial, it was more incidental and less exploitative in nature than more traditional types of commercial use. Arriba was neither using Kelly's images to directly promote its web site nor trying to profit by selling Kelly's images. Instead, Kelly's images were among thousands of images in Arriba's search engine data-base. Because the use of Kelly's images was not highly exploitative, the commercial nature of the use weighs only slightly against a finding of fair use.

The second part of the inquiry as to this factor involves the transformative nature of the use. We must determine if Arriba's use of the images merely superseded the object of the originals or instead added a further purpose or different character. We find that Arriba's use of Kelly's images for its thumbnails was transformative.

Although Arriba made exact replications of Kelly's images, the thumbnails were much smaller, lower-resolution images that served an entirely different function than Kelly's original images. Kelly's images are artistic works intended to inform and to engage the viewer in an aesthetic experience. His images are used to portray scenes from the American West in an aesthetic manner. 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. In fact, users are unlikely to enlarge the thumbnails and use them for artistic purposes because the thumbnails are of much lower-resolution than the originals; any enlargement results in a significant loss of clarity of the image, making them inappropriate as display material.

Kelly asserts that because Arriba reproduced his exact images and added nothing to them, Arriba's use cannot be transformative. Courts have been reluctant to find fair use when an original work is merely retransmitted in a different medium. Those cases are inapposite, however, because the resulting use of the copyrighted work in those cases was the same as the original use. For instance, reproducing music CDs in computer MP3 format does not change the fact that both formats are used for entertainment purposes. Likewise, reproducing news footage into a different format does not change the ultimate purpose of informing the public about current affairs.

Even in *Infinity Broadcast Corp. v. Kirkwood*, [150 F.3d 104](#), where the retransmission of radio broadcasts over telephone lines was for the purpose of allowing advertisers and radio stations to check on the broadcast of commercials or on-air talent, there was nothing preventing listeners from subscribing to the service for entertainment purposes. Even though the intended purpose of the retransmission may have been different from the purpose of the original transmission, the result was that people could use both types of transmissions for the same purpose.

This case involves more than merely a retransmission of Kelly's images in a different medium. Arriba's use of the images serves a different function than Kelly's use -- improving access to information on the internet versus artistic expression. Furthermore, it would be unlikely that anyone would use Arriba's thumbnails for illustrative or aesthetic purposes because enlarging them sacrifices their clarity. Because Arriba's use is not superseding Kelly's use but, rather, has created a different purpose for the images, Arriba's use is transformative....

The [Copyright Act](#) was intended to promote creativity, thereby benefitting the artist and the public alike. To preserve the potential future use of artistic works for purposes of teaching, research, criticism, and news reporting, Congress created the fair use exception. Arriba's use of Kelly's images pro-motes the goals of the Copyright Act and the fair use exception. The thumbnails do not stifle artistic creativity because they are not used for illustrative or artistic purposes and there-fore do not supplant the need for the originals. In addition, they benefit the public by enhancing information-gathering techniques on the internet.

In *Sony Computer Entertainment America, Inc. v. Bleem*, we held that when Bleem copied "screen shots" from Sony computer games and used them in its own advertising, it was a fair use. In finding that the first factor weighed in favor of Bleem, we noted that "comparative advertising redounds greatly to the purchasing public's benefit with very little corresponding loss to the integrity of Sony's copyrighted material." Similarly, this first factor weighs in favor of Arriba due to the public benefit of the search engine and the minimal loss of integrity to Kelly's images.

2. Nature of the copyrighted work.

"Works that are creative in nature are closer to the core of intended copyright protection than are more fact-based works." Photographs that are meant to be viewed by the public for informative and aesthetic purposes, such as Kelly's, are generally creative in nature. The fact that a work is published or unpublished also is a critical element of its nature. Published works are more likely to qualify as fair use because the first appearance of the artist's expression has already occurred. Kelly's images appeared on the internet before Arriba used them in its search image. When considering both of these elements, we find that this factor weighs only slightly in favor of Kelly.

3. Amount and substantiality of portion used.

"While wholesale copying does not preclude fair use per se, copying an entire work militates against a finding of fair use." However, the extent of permissible copying varies with the purpose and character of the use. If the secondary user only copies as much as is necessary for his or her intended use, then this factor will not weigh against him or her.

This factor neither weighs for nor against either party because, although Arriba did copy each of Kelly's images as a whole, it was reasonable to do so in light of Arriba's use of the images. It 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 web site. 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.

4. Effect of the use upon the potential market for or value of the copyrighted work.

This last factor requires courts to consider "not only the extent of market harm caused by the particular actions of the alleged infringer, but also 'whether unrestricted and wide-spread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market for the original.'" A transformative work is less likely to have an adverse impact on the market of the original than a work that merely supersedes the copyrighted work.

Kelly's images are related to several potential markets. One purpose of the photographs is to attract internet users to his web site, where he sells advertising space as well as books and travel packages. In addition, Kelly could sell or license his photographs to other web sites or to a stock photo data-base, which then could offer the images to its customers.

Arriba's use of Kelly's images in its thumbnails does not harm the market for Kelly's images or the value of his images. By showing the thumbnails on its results page when users entered terms related to Kelly's images, the search engine would guide users to Kelly's web site rather than away from it. Even if users were more interested in the image itself rather than the information on the web page, they would still have to go to Kelly's site to see the full-sized image. The thumbnails would not be a substitute for the full-sized images because the thumbnails lose their clarity when enlarged. If a user wanted to view or download a quality image, he or she would have to visit Kelly's web site. This would hold true whether the thumbnails are solely in Arriba's database or are more widespread and found in other search engine databases.

Arriba's use of Kelly's images also would not harm Kelly's ability to sell or license his full-sized images. Arriba does not sell or license its thumbnails to other parties. Anyone who downloaded the thumbnails would not be successful selling full-sized images enlarged from the thumbnails because of the low resolution of the thumbnails. There would be no way to view, create, or sell a clear, full-sized image without going to Kelly's web sites. Therefore, Arriba's creation and use of the thumbnails does not harm the market for or value of Kelly's images. This factor weighs in favor of Arriba.

Having considered the four fair use factors and found that two weigh in favor of Arriba, one is neutral, and one weighs slightly in favor of Kelly, we conclude that Arriba's use of Kelly's images as thumbnails in its search engine is a fair use. ...

United States v. LaMacchia,
871 F.Supp. 535 (D.Mass. 1995)

This case presents the issue of whether new wine can be poured into an old bottle. The facts, as seen in the light most favorable to the government, are these. The defendant, David LaMacchia, is a twenty-one year old student at the Massachusetts Institute of Technology (MIT). LaMacchia, a computer hacker, used MIT's computer network to gain entree to the Internet. Using pseudonyms and an encrypted address, LaMacchia set up an electronic bulletin board which he named Cynosure. He encouraged his correspondents to upload popular software applications (Excel 5.0 and WordPerfect 6.0) and computer games (Sim City 2000). These he transferred to a second encrypted address (Cynosure II) where they could be downloaded by other users with access to the Cynosure password. Although LaMacchia was at pains to impress the need for circumspection on the part of his subscribers, the worldwide traffic generated by the offer of free software attracted the notice of university and federal authorities.

On April 7, 1994, a federal grand jury returned a one count indictment charging LaMacchia with conspiring with "persons unknown" to violate [18 U.S.C. § 1343](#), the wire fraud statute. According to the indictment, LaMacchia devised a scheme to defraud that had as its object the facilitation "on an international scale" of the "illegal copying and distribution of copyrighted software" without payment of licensing fees and royalties to software manufacturers and vendors. The indictment alleges that LaMacchia's scheme [*537] caused losses of more than one million dollars to software copyright holders. The indictment does not allege that LaMacchia sought or derived any personal benefit from the scheme to defraud.

On September 30, 1994, the defendant brought a motion to dismiss, arguing that the government had improperly resorted to the wire fraud statute as a copyright enforcement tool in defiance of the Supreme Court's decision in [Dowling v. United States, 473 U.S. 207 \(1985\)](#)...

THE DOWLING DECISION

Paul Edmond Dowling was convicted of conspiracy, interstate transportation of stolen property [ITSP], copyright violations and mail fraud in the Central District of California. Dowling and his co-conspirators sold bootleg Elvis Presley recordings by soliciting catalogue orders from post office boxes in Glendale, California. The infringing recordings were shipped in interstate commerce to Maryland and Florida. The eight ITSP counts on which Dowling was convicted involved thousands of phonograph albums. "Each album contained performances of copyrighted musical compositions for the use of which no licenses had been obtained nor royalties paid" [Dowling, supra at 212](#). Dowling appealed his convictions (except those involving copyright infringement). The Ninth Circuit Court of Appeals affirmed. . . .

The Supreme Court granted certiorari only as to Dowling's convictions for interstate transportation of stolen property. The Court, in an opinion by Justice Blackmun, held that

a copyrighted musical composition impressed on a bootleg phonograph record is not property that is "stolen, converted, or taken by fraud" within the meaning of the Stolen Property Act. Justice Blackmun emphasized that cases prosecuted under § 2314 had traditionally involved "physical 'goods, wares [or] merchandise.'" The statute "seems clearly to contemplate a physical identity between the items unlawfully obtained and those eventually transported, and hence some prior physical taking of the subject goods." [Id. at 216](#). In Dowling's case there was no evidence "that Dowling wrongfully came by the phonorecords actually shipped or the physical materials from which they were made." [Dowling, supra at 214](#).

Justice Blackmun felt compelled, however, to answer the government's argument that the unauthorized use of the underlying musical compositions was itself sufficient to render the offending phonorecords property "stolen, converted or taken by fraud."

The Government's theory here would make theft, conversion, or fraud equivalent to wrongful appropriation of statutorily protected rights in copyright. The copyright owner, however, holds no ordinary chattel. A copyright, like other intellectual property, comprises a series of carefully defined and carefully delimited interests to which the law affords correspondingly exact protections. [Id. at 216](#).

A copyright, as Justice Blackmun explained, is unlike an ordinary chattel because the holder does not acquire exclusive dominion over the thing owned. The limited nature of the property interest conferred by copyright stems from an overriding First Amendment concern for the free dissemination of ideas. "The primary objective of copyright is not to reward the labor of authors, but 'to promote the Progress of Science and useful Arts.' Art. I, § 8, cl. 8." [Feist Publications, Inc. v. Rural Telephone Service Co., 499 U.S. 340, 349, \(1991\)](#). [Data General Corp v Grumman Systems Support, 36 F.3d 1147, 1187 \(1st Cir. 1994\)](#) (same). Justice Blackmun offered the "fair use" doctrine ([17 U.S.C. § 107](#)) and the statutory scheme of compulsory licensing of musical compositions ([17 U.S.C. § 115](#)) as examples of ways in which the property rights of a copyright holder are circumscribed by the Copyright Act. [Dowling, supra at 217](#).

It follows that interference with copyright does not easily equate with theft, conversion or fraud. The Copyright Act even employs a separate term of art to define one who misappropriates a copyright: "Anyone who violates any of the exclusive rights of the copyright owner," that is, anyone who trespasses into his exclusive domain by using or authorizing the use of the copyrighted work in one of the five ways set forth in the statute, "is an infringer of the copyright." There is no dispute in this case that Dowling's unauthorized inclusion on his bootleg albums of performances of copyrighted compositions constituted infringement of those copyrights. It is less clear, however, that the taking that occurs when an infringer arrogates the use of another's protected work comfortably fits the terms associated with physical removal employed by § 2314. The infringer invades a statutorily defined province guaranteed to the copyright holder alone.

But he does not assume physical control over the copyright; nor does he wholly deprive its owner of its use. . . .

The ITSP statute, Justice Blackmun observed, had its roots in efforts by Congress to supplement the efforts of state authorities frustrated by jurisdictional problems arising from the transportation of stolen property across state lines. [Id. at 219-220.](#)

No such need for supplemental federal action has ever existed, however, with respect to copyright infringement, for the obvious reason that Congress always has had the bestowed authority to legislate directly in this area. . . . Given that power, it is implausible to suppose that Congress intended to combat the problem of copyright infringement by the circuitous route hypothesized by the government. . . . In sum, the premise of § 2314 -- the need to fill with federal action an enforcement chasm created by limited state jurisdiction -- simply does not apply to the conduct the Government seeks to reach here. [Id. at 220-221.](#)

A review of the evolution of criminal penalties in the Copyright Act led Justice Blackmun to observe that:

"The history of the criminal infringement provisions of the Copyright Act reveals a good deal of care on Congress' part before subjecting copyright infringement to serious criminal penalties. . . . In stark contrast, the Government's theory of this case presupposes a congressional decision to bring the felony provisions of § 2314, which make available the comparatively light fine of not more than \$ 10,000 but the relatively harsh term of imprisonment of up to 10 years, to bear on the distribution of a sufficient quantity of any infringing goods simply because of the presence here of a factor--interstate transportation--not otherwise though relevant to copyright law. The Government thereby presumes congressional adoption of an indirect but blunderbuss solution to a problem treated with precision when considered directly. [Id. at 225-226.](#)

Finally, noting that the government's expansive reading of the Stolen Property Act would have the unsettling effect of criminalizing a broad range of conduct involving copyright and other intellectual property that had been historically regulated by the civil laws, Justice Blackmun concluded that "the deliberation with which Congress over the last decade has addressed the problem of copyright infringement for profit, as well as the precision with which it has chosen to apply criminal penalties in this area, demonstrates anew the wisdom of leaving it to the legislature to define crime and prescribe penalties. Here, the language of § 2314 does not 'plainly and unmistakably' cover petitioner Dowling's conduct." [Id. at 228](#) (footnote omitted). Dowling's ITSP convictions were reversed.

THE COPYRIGHT LAW

Article I, § 8, cl. 8 of the U.S. Constitution grants Congress the exclusive power "to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective writings and Discoveries." Thus "the remedies for infringement 'are only those prescribed by Congress.'" [Sony Corporation of America v. Universal City Studios, Inc., 464 U.S. 417, 431 \(1984\)](#). Since 1897, when criminal copyright infringement was first introduced into U.S. copyright law, the concept differentiating criminal from civil copyright violations has been that the infringement must be pursued for purposes of commercial exploitation.

DISCUSSION

The wire fraud statute, [18 U.S.C. § 1343](#) was enacted in 1952. ... to complement the mail fraud statute by giving federal prosecutors jurisdiction over frauds involving the use of interstate (or foreign) wire transmissions.... Wire fraud offers an especially pleasing feature from the government's perspective that is particularly relevant to LaMacchia's case. Unlike the criminal copyright statute, [17 U.S.C. § 506\(a\)](#), the mail and wire fraud statutes do not require that a defendant be shown to have sought to personally profit from the scheme to defraud. ...

...[E]ven were I to accept the argument made by the government in Dowling, that illegal conduct alone may suffice to satisfy the fraud element of [[§ 1343](#)], the holding would not cover LaMacchia's case for the simple reason that what LaMacchia is alleged to have done is not criminal conduct under [§ 506\(a\)](#) of the Copyright Act. n12

"A copyright, like other intellectual property, comprises a series of carefully defined and carefully delimited interests to which the law affords correspondingly exact protections." [Dowling, supra at 216](#).

What the government is seeking to do is to punish conduct that reasonable people might agree deserves the sanctions of the criminal law. But as Justice Blackmun observed in Dowling, copyright is an area in which Congress has chosen to tread cautiously, relying "chiefly . . . on an array of civil remedies to provide copyright holders protection against infringement," while mandating "studiously graded penalties" in those instances where Congress has concluded that the deterrent effect of criminal sanctions are required. [Dowling, supra at 221, 225](#). "This step-by-step, carefully considered approach is consistent with Congress' traditional sensitivity to the special concerns implicated by the copyright laws." [Id at 225](#). Indeed, the responsiveness of Congress to the impact of new technology on the law of copyright, limned earlier in this opinion, confirms Justice Blackmun's conviction of "the wisdom of leaving it to the legislature to define crime and prescribe penalties." [Dowling, supra at 228](#).

"The judiciary's reluctance to expand the protections afforded by the copyright without explicit legislative guidance is a recurring theme. Sound policy, as well as history, supports our consistent deference to Congress when major technological innovations alter the market for copyrighted materials. Congress has the

institutional authority and the institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by such new technology."

[Sony Corporation of America v. Universal City Studios, Inc., 464 U.S. 417, 431, 78 L. Ed. 2d 574, 104 S. Ct. 774 \(1984\)](#) (citations omitted).

While the government's objective is a laudable one, particularly when the facts alleged in this case are considered, its interpretation of the wire fraud statute would serve to criminalize the conduct of not only persons like LaMacchia, but also the myriad of home computer users who succumb to the temptation to copy even a single software program for private use. It is not clear that making criminals of a large number of consumers of computer software is a result that even the software industry would consider desirable. ...

This is not, of course, to suggest that there is anything edifying about what LaMacchia is alleged to have done. If the indictment is to be believed, one might at best describe his actions as heedlessly irresponsible, and at worst as nihilistic, self-indulgent, and lacking in any fundamental sense of values. Criminal as well as civil penalties should probably attach to willful, multiple infringements of copyrighted software even absent a commercial motive on the part of the infringer. One can envision ways that the copyright law could be modified to permit such prosecution. But, "it is the legislature, not the Court which is to define a crime, and ordain its punishment." [Dowling, supra at 214](#).

ORDER

For the foregoing reasons, defendant LaMacchia's motion to dismiss is ALLOWED.

SO ORDERED.

Shortly following the dismissal of *LaMacchia*, Congress responded with the No Electronic Theft (NET) Act, "to reverse the practical consequences of *United States v. LaMacchia*" by adding a new definition of "financial gain" and provision § 506(a)(2) below:

17 U.S.C. § 506. Criminal offenses

(a) Criminal Infringement.— Any person who infringes a copyright willfully either—
(1) for purposes of commercial advantage or private financial gain, or
(2) by the reproduction or distribution, including by electronic means, during any 180-day period, of 1 or more copies or phonorecords of 1 or more copyrighted works, which have a total retail value of more than \$1,000,
shall be punished as provided under section 2319 of title 18, United States Code. For purposes of this subsection, evidence of reproduction or distribution of a copyrighted work, by itself, shall not be sufficient to establish willful infringement.

...

17 U.S.C. § 101: "The term 'financial gain' includes receipt, or expectation of receipt, of anything of value, including the receipt of other copyrighted works."