

MLRC MEDIA LAW CONFERENCE
OCTOBER 4, 2023 – OCTOBER 6, 2023

HOT ISSUES IN COPYRIGHT LAW

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*As of August 31, 2023

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I. Artificial Intelligence and Copyright Law¹

Relatively new technologies make it possible for artificial intelligence (“AI”) to produce expressive material. Generally, the technologies “train” or “learn” from preexisting human-authored materials and use inferences to create new expressive materials, sometimes in response to human “prompts.” These technologies, often labeled “generative AI” raise various copyright law questions that are only beginning to get answers. To date, one general theme is that human-authored materials get copyright protection whereas AI “authored” materials do not.

On March 16, 2023, the Copyright Office published a statement of policy entitled *Copyright Registration Guidance: Works Containing Material Generated by Artificial Intelligence* (the “Guidance”).² The *Guidance* concluded that at least some degree of human authorship is required in order for a work to be copyrightable, but left open for discussion more detailed issues.

The *Guidance* discussed a few recent examples of the Copyright Office’s handling of AI-generated works. For example, in 2018, the Copyright Office denied a registration application for a visual work that the applicant described as “autonomously created by a computer algorithm running on a machine” because the examiner found that the work “contained no human authorship,” and the Copyright Office’s Review Board concluded that it was made “without any creative contribution from a human author.” *Id.* at 2. And, in February 2023, the Copyright Office determined that a graphic novel with human-authored text and AI-generated

¹ This area of the law is evolving rapidly. The text below was written as of August 31, 2023.

² https://www.copyright.gov/ai/ai_policy_guidance.pdf.

images was a copyrightable work; however, the “individual images themselves could not be protected by copyright.” *Id.*³

Consistent with these prior decisions, the *Guidance* states “it is well-established that copyright can protect only material that is the product of human creativity,” and that “the term ‘author,’ which is used in both the Constitution and the Copyright Act, excludes non-humans.” *Id.* The seminal case supporting this position is *Burrow-Giles Lithographic Co. v. Sarony*, in which the Supreme Court held that photographs are subject to copyright protection “so far as they are representatives of original intellectual conceptions of the author.” 111 U.S. 53, 58 (1884) (“*Sarony*”). The *Guidance*, quoting the current edition of the *Compendium of Copyright Office Practices*, explains that “‘to qualify as a work of ‘authorship’ a work must be created by a human being’ and that it ‘will not register works produced by a machine or mere mechanical process that operates randomly or automatically without any creative input or intervention from a human author.’” *Guidance* at 3 (quoting U.S. Copyright Office, *Compendium of U.S. Copyright Office Practices* sec. 313.2 (3d ed. 2021).)

The Copyright Office explains that works must be examined on a case-by-case basis. *Id.* at 4. Where a work contains AI-generated material, “the Office will consider whether the AI contributions are the result of “‘mechanical reproduction’ or instead of an author’s ‘own original mental conception, to which [the author] gave visible form.’” *Id.* at 3-4. The answer “will depend on the circumstances, particularly how the AI tool operates and how it was used to create the final work.” *Id.* at 4. But when an “AI technology determines the expressive elements of its output, the generated material is not the product of human authorship. As a result,

³ See U.S. Copyright Office, *Cancellation Decision re: Zarya of the Dawn (VAu001480196)* at 2 (Feb. 21, 2023), [https:// www.copyright.gov/docs/zarya-of-the-dawn.pdf](https://www.copyright.gov/docs/zarya-of-the-dawn.pdf).

that material is not protected by copyright and must be disclaimed in a registration application.” *Id.* (footnotes omitted).

This raises another important issue: the Copyright Office asserts that copyright applicants have a “duty to disclose the inclusion of AI-generated content ... and to provide a brief explanation of the human author’s contributions to the work.” *Id.* And “AI-generated content that is more than de minimis should be explicitly excluded from the application.” *Id.* at 5. Applicants are also responsible for correcting previously-submitted or pending applications. *Id.* at 5-6.

A recent decision, *Thaler v. Perlmutter*, U.S. Dist. Ct., D.D.C., No. 22-1564 (BAH) (Aug. 18, 2023) (the “Order”), brought these issues to the foreground. In *Thaler*, plaintiff Stephen Thaler claimed that a computer system he owns (the “Creativity Machine”) generated a piece of visual art of his own accord. The image is below:



The Copyright Office denied the application for a copyright, and Thaler sued the Copyright Office and Shira Perlmutter in her official capacity as the Register of Copyrights and Director of the Copyright Office. The parties cross-moved for summary judgment. The Order granted defendants’ motion and denied plaintiff’s.

Thaler’s copyright application asserted that the work had been “autonomously created by a computer algorithm running on a machine.” Order at 3. The Copyright Office denied the application because the work “lack[ed] the human authorship necessary to support a copyright claim.” *Id.* Thaler requested reconsideration, arguing that AI should be acknowledged as an “author where it otherwise meets authorship criteria, with any copyright ownership vesting in the AI’s owner.” *Id.* The Copyright Office again refused registration. *Id.* at 4.

Thaler challenged the Copyright Office’s decision in federal court, and the cross-motions for summary judgment raised “the sole legal issue of whether a work autonomously generated by an AI system is copyrightable;” or, put another way, “whether a work generated autonomously by a computer falls under the protection of copyright law upon its creation.” *Id.* at 4, 6.

The *Thaler* court concluded that “United States copyright law protects only works of human creation.” *Id.* at 7. The court discussed copyright law’s evolution with advances in technology, citing in particular the decision in *Sarony*. *Id.* at 7-8. But the court drew the line at works autonomously generated by AI: “Copyright has never stretched so far, however, as to protect works generated by new forms of technology operating absent any guiding human hand, as plaintiff urges here. Human authorship is a bedrock requirement of copyright.” *Id.* at 8. And the human authorship requirement rests, the court held, on “centuries of settled understanding,” which has persisted even as the copyright law has otherwise evolved. *Id.* at 9-10. This held true even where previous courts had been confronted with works claiming to be authored by “celestial beings,” *Urantia Found. v. Kristen Maaherra*, 114 F.3d 955, 958-959 (9th Cir. 1997), and monkeys, *Naruto v. Slater*, 888 F.3d 418, 420 (9th Cir. 2018). *Id.* at 11-12. Indeed, Thaler could “point to no case in which a court has recognized copyright in a work originating with a non-human.” *Id.* at 12.

The *Thaler* case was, according to the court, “not nearly so complex,” especially because the administrative record showed that the “plaintiff played no role in using the AI to generate the work.” *Id.* at 13-14. The tougher questions will come regarding, for example, “how much human input is necessary to qualify the user of an AI system as an ‘author’ of a generated work, the scope of the protection obtained over the resultant image, how to assess the originality of AI-generated works where the systems may have been trained on unknown pre-existing works, how copyright might best be used to incentivize creative works involving AI, and more.” *Id.* at 13.

There are several other AI copyright cases pending.⁴ For example, in *Getty Images (US), Inc. v. Stability AI, Inc.*, No. 1:2023cv00135, a training AI case pending in the District of Delaware, the plaintiff alleges that the defendant copied more than 12 million images, removed or altered plaintiffs’ copyright management information and provided false copyright management information. Motions to dismiss are pending. In a class action suit pending in the Northern District of California, *Anderson v. Stability AI Ltd.*, No. 3:23-cv-00201, visual artists allege that their copyrighted materials were used without permission to train AI image generators. A motion to dismiss was heard on July 19, 2023. In two similar cases also pending in the Northern District of California, both filed on July 7, 2023, actress/author Sarah Silverman and authors Christopher Golden and Richard Kadrey allege that Open AI’s ChatGPT and Meta’s LLaMA were trained using improperly acquired datasets containing their works which summarize their works, infringing

⁴ For more details on pending AI cases see <https://copyrightalliance.org/current-ai-copyright-cases-part-1/> and <https://copyrightalliance.org/current-ai-copyright-cases-part-2/>.

on their copyrights.⁵ These cases could test whether training AI systems on copyrighted works is a transformative fair use.⁶

On August 30, 2023, the Copyright Office published a notice of inquiry seeking public input on “(1) the use of copyrighted works to train AI models; (2) the copyrightability of material generated using AI systems; (3) potential liability for infringing works generated using AI systems; and (4) the treatment of generative AI outputs that imitate the identity or style of human artists.”⁷ The notice of inquiry poses dozens of questions covering these topics. Written comments are due October 18, 2023, and reply comments are due November 15, 2023.

II. Ninth Circuit Shifts in the Treatment of Substantial Similarity at the Pleadings Stage

The Ninth Circuit – which hears many cases alleging the copying of treatments, screenplays, scripts and other works – is in a state of flux as a few Ninth Circuit judges and several district courts transition away from dismissing such copyright cases on substantial similarity grounds at the pleadings stage.

For decades, the Ninth Circuit regularly dismissed copyright claims at the pleadings stage where required elements were missing from a plaintiff’s claim, including where a comparison of the works at issue demonstrated the absence of the requisite similarity.⁸ The consistent thinking was that the lack of substantial

⁵ See *Silverman v. OpenAI, Inc.*, No. 3:23-cv-03416 and *Kadrey v. Meta Platforms, Inc.*, No. 3:23-cv-03417.

⁶ See also <https://copyrightalliance.org/copyrighted-works-training-ai-fair-use/> (discussing whether the use of copyrighted works to train AI qualifies as a fair use).

⁷ <https://public-inspection.federalregister.gov/2023-18624.pdf>.

⁸ See, e.g., *Silas v. HBO*, 713 F. App’x 626, 627 (9th Cir. 2018) (affirming dismissal of claim that series *Ballers* infringed plaintiff’s work); *Christianson v. W. Pub’lg Co.*, 149 F.2d 202, 203 (9th Cir. 1945) (“There is ample authority for holding that when the copyrighted work and the alleged infringement are both before the court, capable of examination and comparison, non-infringement

similarity is a “defect [that] cannot be cured by amendment[.]” *Campbell v. Walt Disney Co.*, 718 F. Supp. 2d 1108, 1116 (N.D. Cal. 2010) (granting motion to dismiss). In the last decade, the Ninth Circuit has “repeatedly” affirmed dismissals of cases “on substantial similarity grounds” on the pleadings, “before discovery has

can be determined on a motion to dismiss”); *Wild v. NBC Universal, Inc.*, 513 F. App’x 640, 641 (9th Cir. 2013) (affirming dismissal in part on substantial similarity grounds); *Ricketts v. CBS Corps.*, 439 F.Supp.3d 1199, 1211-1221, 1226 (C.D. Cal. 2020) (granting motion for judgment on the pleadings without leave to amend on substantial similarity grounds); *Schkeiban v. Cameron*, No. CV 12-0636, 2012 WL 5636281, at *2 (C.D. Cal. Oct. 4, 2012) (dismissing infringement claim involving film *Avatar*); *Van v. Cameron*, No. 10cv1051, 2011 WL 13121345, at *3-4 (S.D. Cal. July 13, 2011) (same); *Briggs v. Cameron*, No. 20-cv-01596-VC, 2020 WL 6118493, at *1-*2 (N.D. Cal. Oct. 16, 2020) (same); *Esplanade Prods, Inc. v. Walt Disney Co.*, CV 17-02185, 2017 WL 5635027, at *53 (C.D. Cal. Nov. 8, 2017) (dismissing claim that film *Zootopia* infringed plaintiff’s proposed franchise, also called *Zootopia*); *Abdullah v. Walt Disney Co.*, No. 2:15-cv-09581-SVW-JPR, 2016 WL 5380930, at *9 (C.D. Cal. Mar. 14, 2016) (dismissing claim that film *Frozen* infringed well-known children’s author’s story); *Lake v. Columbia Broad. Sys., Inc.*, 140 F. Supp. 707, 708 (S.D. Cal. 1956) (noting that “upon this motion to dismiss the Court may assume validity of the copyright and, comparing the literary products incorporated into the complaint, determine as a matter of law whether or not the copyright has been infringed,” and dismissing complaint); *Cano v. A World of Difference Inst.*, No. C 95-03291 CW, 1996 WL 371064, at *6 (N.D. Cal. May 31, 1996) (granting defendant’s motion for judgment on the pleadings as to copyright claim); *Zella v. E.W. Scripps Co.*, 529 F. Supp. 2d 1124, 1135-39 (C.D. Cal. 2007) (granting motion to dismiss copyright claim for lack of substantial similarity); *Thomas v. Walt Disney Co.*, No. C-07-4392 CW, 2008 WL 425647, at *6 (N.D. Cal. Feb. 14, 2008) (same); *Gallagher v. Lions Gate Ent. Inc.*, No. 2:15-cv-02739-ODW(Ex), 2015 WL 12481504, at *2 (C.D. Cal. Sept. 11, 2015) (“In copyright infringement cases where the court judicially notices the works at issue and it is clear there is no substantial similarity between them as a matter of law, dismissal of the claims is proper.”); *Whitehead v. Netflix, Inc.*, 2022 WL 17342602, at *10 (N.D. Cal. 2022) (dismissing on substantial similarity grounds and declining to “address the weight of existing Ninth Circuit opinions on this issue”).

been conducted.” *Masterson v. Walt Disney Co.*, 821 F. App’x 779, 780 & n.1 (9th Cir. Aug. 3, 2020).⁹ Other circuits have done the same.¹⁰

The Ninth Circuit held in *Masterson*, a 2020 unpublished decision, that “[d]etermining substantial similarity does not necessarily require expert testimony,” noting that the court can rely on “judicial experience and common sense.” 821 F. App’x at 780. “It is not that expert testimony is never required or that substantial similarity can always be determined as a matter of law on a motion to dismiss. Rather, the court is required to determine whether the complaint states a plausible claim.” *Id.* at 781. In another unpublished 2020 decision, the Ninth Circuit affirmed dismissal following a motion to dismiss on access and substantial similarity grounds. *Astor-White v. Strong*, 817 F. App’x 502, 503 (9th Cir. 2020). The following year, the Ninth Circuit, in another unpublished decision, affirmed an order granting a motion to dismiss on substantial similarity grounds. *Briggs v. Cameron*, No. 20-17229, 2021 WL 4893348 (9th Cir. Oct. 12, 2021). And, in 2022, in yet another unpublished decision, the Ninth Circuit affirmed the granting of a motion to dismiss

⁹ *E.g.*, *Fillmore v. Blumhouse Prods., LLC*, 771 F. App’x 756, 756–57 (9th Cir. 2019) (manuscript and film); *Esplanade Prods., Inc. v. Walt Disney Co.*, 768 F. App’x 732, 733 (9th Cir. 2019) (film treatment and movie); *Abdullah v. Walt Disney Co.*, 714 F. App’x 758, 759 (9th Cir. 2018) (book and movie); *Silas v. HBO, Inc.*, 713 F. App’x 626, 627 (9th Cir. 2018) (television series and screenplay); *Shame on You Prods., Inc v. Banks*, 690 F. App’x 519, 520 (9th Cir. 2017) (screenplay and film); *Heusey v. Emmerich*, 692 F. App’x 928, 929 (9th Cir. 2017) (screenplay and film); *Schkeiban v. Cameron*, 566 F. App’x 616, 617 (9th Cir. 2014) (novel/screenplay and film); *White v. Twentieth Century Fox Corp.*, 572 F. App’x 475, 476–77 (9th Cir. 2014) (screenplay and films/television shows); *Wild v. NBC Universal*, 513 F. App’x 640, 641 (9th Cir. 2013) (graphic novel and television show); *Thomas v. Walt Disney Co.*, 337 F. App’x 694, 695 (9th Cir. 2009) (literary work and movie).

¹⁰ *See, e.g.*, *Tanksley v. Daniels*, 902 F.3d 165, 177 (3d Cir. 2018) (in a case involving a television pilot and a network television series, explaining that “[w]ithout substantial similarity, Tanksley’s complaint fails to state a claim of copyright infringement and was properly dismissed under Rule 12(b)(6)”; *Peters v. West*, 692 F.3d 629, 635–36 (7th Cir. 2012) (finding song lyrics were not substantially similar on a motion to dismiss); *Nelson v. PRN Prods., Inc.*, 873 F.2d 1141, 1143–44 (8th Cir. 1989) (same).

a copyright infringement claim on substantial similarity grounds. *Carlini v. Paramount Pictures Corp.*, No. 21-55213, 2022 WL 614044 (9th Cir. Mar. 2, 2022).

But two Ninth Circuit cases in 2020 sent a shock wave through this consistent line of authorities. Two Ninth Circuit panels showed a reluctance to permit dismissal without expert testimony, effectively jeopardizing the ability of defendants to achieve dismissal at the pleadings stage. In *Alfred v. Walt Disney Co.*, 821 Fed. App'x 727, 729 (9th Cir. 2020), the court (Judges Paez, Bade and Melgren¹¹) reversed the dismissal of a copyright infringement action, holding that, at the motion to dismiss “stage of litigation, it is difficult to know whether such elements are indeed unprotectible material. Additional evidence would help inform the question of substantial similarity.” And, in *Zindel as Tr. for David Zindel Tr. v. Fox Searchlight Pictures, Inc.*, 815 Fed. App'x 158, 160-61 (9th Cir. 2020), the Ninth Circuit (Judges Wardlaw, Lee and Kennelly¹²) called for expert testimony to evaluate substantial similarity in another unpublished decision: “Though both works properly were presented to the district court, additional evidence, including expert testimony, would aid in the objective literary analysis needed to determine the extent and qualitative importance of the similarities that [plaintiff] identified in the works’ expressive elements, particularly the plausibly alleged shared plot sequence.”¹³

As a practical matter, district courts faced with these conflicting Ninth Circuit authorities are increasingly reluctant to dismiss copyright infringement cases on

¹¹ The Honorable Eric F. Melgren, a U.S. District Judge for the District of Kansas, was sitting by designation.

¹² The Honorable Matthew F. Kennelly, U.S. District Judge for the Northern District of Illinois, was sitting by designation.

¹³ In 2023, in yet another unpublished decision, the Ninth Circuit vacated the grant of a preliminary injunction, holding in pertinent part that the district court did not adequately evaluate substantial similarity between purportedly copyrightable elements of “hand-balancing routines,” holding that, “given the highly technical nature of the case, the district court could not have done so without the benefit of expert testimony.” *Lorador v. Kolev*, No. 22-15491 (9th Cir. May 16, 2023).

substantial similarity grounds at the pleadings stage, with several courts preferring instead to deny motions to dismiss and wait for expert testimony comparing works at a later stage in the case.¹⁴ One district court, citing only *Zindel*, went so far as to conclude that “the Ninth Circuit disfavors dismissals on the ground of substantial similarity at the Rule 12(b)(6) stage.” *Yonay v. Paramount Pictures Corp.*, No. CV 22-3846 PA (GJSx), 2022 WL 18397391, at *4 (C.D. Cal. Nov. 9, 2022).

Decades of jurisprudence is being abandoned in favor of a couple of unpublished recent Ninth Circuit decisions. This trend has real world implications where even relatively obvious comparisons that could be done based on judicial experience and common sense are discarded in favor of expensive discovery (including expensive expert opinions) that should be, in many cases, totally unnecessary.

III. Embedding Photographs and the “Server Test”

A split of authority has developed as to whether and when a photograph appearing on a website or application without the copyright owner’s permission violates the owner’s exclusive display rights under 17 U.S.C. § 106(5).¹⁵ Driving

¹⁴ See, e.g., *Woodall v. Walt Disney Co.*, 2021 WL 2982305, at *6 (C.D. Cal. Apr. 14, 2021) (denying motion to dismiss, holding “consistent with the Ninth Circuit’s opinion in *Alfred v. Walt Disney Co.*, the Court finds additional evidence such as expert testimony may help inform the question of substantial similarity in this case”); *Irish Rover Enter., LLC v. Sims*, 2021 WL 408199, at *2-*3 (C.D. Cal. Jan. 21, 2021) (same, also citing *Alfred*); *Jones v. Twentieth Century Studios, Inc.*, 2021 WL 6752228, at *5-*6 (C.D. Cal. Dec. 7, 2021) (same, citing *Alfred* and *Zindel*); *Summit Kaiju LLC v. Legend Pictures, LLC*, 2022 WL 2235460 (C.D. Cal. Apr. 12, 2022) (same); *Segal v. Segel*, 2022 WL 198699, at *13 (S.D. Cal. Jan. 21, 2022) (same, citing *Zindel*); *Evans v. NBCUniversal Media, LLC*, 2021 WL 4513264, at *5 n. 11 (C.D. Cal. July 23, 2021) (declining to even do substantial similarity analysis, citing *Alfred*).

¹⁵ Under the Copyright Act, “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,” the owner of copyright has the exclusive right “to

that wedge deeper, in July 2023, the Ninth Circuit in *Hunley v. Instagram, LLC*, 73 F.4th 1060 (9th Cir. 2023), re-affirmed the “server test” – first adopted in 2007 in *Perfect 10 v. Amazon*.¹⁶ Under the “server test,” a distinction is made between embedding a photograph onto a website using Hypertext Markup Language (“HTML”) code, (which directs a user’s web browser to retrieve content from another website), and digitally saving a photograph onto one’s hard drive or server.

The Ninth Circuit held that embedding a photograph does not violate the display right under § 106(5) because an embedded image (hosted on a server owned by a third party) does not create a copy of the underlying image whereas saving that image onto one’s server does create a digital copy. Other courts, however, have rejected the “server test,” finding it to be incongruent with the Copyright Act. This split of authority has created uncertainty about the lawfulness of embedding content on the internet, the future of the “server test,” and its application around the country.

In *Perfect 10*, the Ninth Circuit considered a claim of direct infringement of the display right against Google image search results where those images were stored on third-party servers and accessed thorough in-line linking, which, like embedding, is based on HTML code. 508 F.3d 1146. The Ninth Circuit held that embedding does not constitute a “display” within the meaning of the Copyright Act because it does not affix a copy of the underlying image, but rather uses computer code to redirect a user’s browser to the third-party’s computer where the image is stored. *Id.*

display the copyrighted work publicly.” 17 U.S.C. § 106(5). “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 or, in the case of a motion picture or other audiovisual work, to show individual images nonsequentially.” 17 U.S.C. § 101. “To ‘transmit’ a performance or display is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent.” *Id.*

¹⁶ *Perfect 10 v. Amazon*, 508 F.3d 1146 (9th Cir. 2007).

at 1160–61. Conversely, when the image stored is in one’s own server, however, a “copy” of the work is created for purposes of copyright law. *Id.* at 1160.

After *Perfect 10* was decided, the District Court for the Northern District of Illinois in *Flava Works, Inc. v. Gunter*,¹⁷ denied a motion to reconsider the issuance of a preliminary injunction involving a company – sued for, among other things, contributory copyright infringement – that embed video clips on its website through the posting/bookmarking process from videos uploaded by its users. *Id.* at *1.¹⁸ The district court noted “[t]o the extent that *Perfect 10* can be read to stand for the proposition that inline linking can never cause a display of images or videos that would give rise to a claim of direct copyright infringement, we respectfully disagree.” *Id.* at *2. According to the district court, “a website’s servers need not actually store a copy of a work in order to ‘display’ it.” *Id.*

On appeal, however, the Seventh Circuit vacated the district court’s order, holding that the plaintiff failed to establish a substantial likelihood of success on the merits of its contributory infringement claim, in part, because there was insufficient evidence that the defendant contributed or incentivized an infringement. *See Flava Works, Inc. v. Gunter*, 689 F.3d 754, 763 (7th Cir. 2012). The Seventh Circuit cited with approval to *Perfect 10*’s distinction between direct and secondary infringement,

¹⁷ No. 10 C 6517, 2011 WL 3876910, at *4 (N.D. Ill. Sept. 1, 2011), *vacated*, 689 F.3d 754 (7th Cir. 2012).

¹⁸ *See also Flava Works, Inc. v. Gunter*, No. 10 C 6517, 2011 WL 3205399, at *1, *12 (N.D. Ill. July 27, 2011), *vacated*, 689 F.3d 754 (7th Cir. 2012), *and vacated*, 689 F.3d 754 (7th Cir. 2012) (granting preliminary injunction).

though the court was addressing the public performance right under 17 U.S.C. § 106(4) and not the display right under 17 U.S.C. § 106(5). *Id.* at 751.¹⁹

Although no circuit has disapproved of *Perfect 10*, other district courts outside the Ninth Circuit began rejecting the “server test” finding direct infringement in instances of embedding. For example, in Northern District of Texas in *Leader's Institute, LLC v. Jackson*,²⁰ the plaintiff accused the defendant of copyright infringement, among other things, because the defendant’s website “framed” (*i.e.*, embedded) images from the plaintiff’s website. The district court distinguished *Perfect 10* from the case at bar²¹ and “disagree[d] with the Ninth Circuit” to the extent *Perfect 10* “makes actual possession of a copy a necessary condition to violating a copyright owner’s exclusive right to display her copyrighted works[.]” *Id.* at *11.²²

Likewise, in the Southern District of New York, in *Goldman v. Breitbart News Network, LLC*,²³ the district court declined to apply the “server test.” That case involved a candid photograph of the football player, Tom Brady which was uploaded by the copyright owner to the social media site Snapchat. *Id.* at 587. Thereafter, the

¹⁹ See also *Soc’y of Holy Transfiguration Monastery, Inc. v. Gregory*, 689 F.3d 29, 55 (1st Cir. 2012) (citing *Perfect 10* but finding case inapplicable because it was undisputed that the at-issue works were “displayed” on the defendant’s website).

²⁰ No. 3:14-CV-3572-B, 2017 WL 5629514, at *10 (N.D. Tex. Nov. 22, 2017).

²¹ Finding Google “provided links for users to access sites that displayed infringing images. Google did not actually display infringing images but instead provided links for users to access sites that displayed infringing images.” *Leader's Inst., LLC*, 2017 WL 5629514, at *11.

²² The district court went on to state: “The text of the Copyright Act does not make actual possession of a copy of a work a prerequisite for infringement. To display a work, someone need only show a copy of the work; a person need not actually possess a copy to display a work. [citation]. And to display a work publicly, a person need only transmit or communicate a display to the public. [citation]. Again, the person need not possess the display.” *Leader's Inst., LLC*, 2017 WL 5629514, at *11 (citing 17 U.S.C. § 101).

²³ 302 F. Supp. 3d 585 (S.D.N.Y. 2018).

photograph went “viral” and was uploaded by various users to other platforms, including Twitter. *Id.* The photograph was eventually used by the defendants in various news stories though none of the defendants’ websites copied and saved the photograph onto their own servers. *Id.* Rather, they made the photograph visible in their articles through embedding. *Id.*

The district court in *Goldman* rejected the application of the “server test,” holding that the Copyright Act and its legislative history did not provide for a “rule that allows the physical location or possession of an image to determine who may or may not have ‘displayed’ a work[.]” *Id.* at 593. The court also found *Perfect 10*’s holding to be limited to the facts that Google “operated a search engine,” “that the user made an active choice to click on an image before it was displayed,” and that the user simply “navigated from webpage to webpage, with Google’s assistance.” *Id.* at 595-96. Search engine results, according to the *Goldman* Court, were “manifestly not the same as opening up a favorite blog or website to find a full color image awaiting the user, whether he or she asked for it, looked for it, clicked on it, or not.” *Id.* at 596.

After the *Goldman* decision, the application and viability of the “server test” was called into question by even more district courts. For example, a district court opinion in the Northern District of California cited *Goldman* and expressed skepticism that the “server test” has application outside of the search engine context.²⁴ Likewise, another district court in the Southern District of New York, in *Nicklen v. Sinclair Broad. Grp., Inc.*,²⁵ rejected the “server test” following the reasoning in *Goldman*. The *Nicklen* Court articulated, “the Ninth Circuit’s reasoning in *Perfect 10* should be cabined by two facts specific to that case: (1) the defendant

²⁴ See *Free Speech Systems, LLC v. Menzel*, 390 F. Supp. 3d 1162, 1172 (N.D. Cal. 2019).

²⁵ 551 F. Supp. 3d 188, 195 (S.D.N.Y. 2021).

operated a search engine and (2) the copyrighted images were displayed only if a user clicked on a link.” *Id.* at 195.²⁶

Similarly, in *McGucken v. Newsweek LLC*,²⁷ a third district court in Southern District of New York rejected the “server test” finding *Perfect 10*’s reasoning “make[s] the display right merely a subset of the reproduction right [and [t]he Copyright Act makes clear, however, that to ‘show a copy’ is to display it. *Id.* at *6. The *McGucken* Court further noted that “Congress did ‘not intend ... to freeze the scope of copyrightable technology’ to then-existing methods of expression,” and that “the projection of an if an image on a screen or other surface by *any* method” is sufficient to infringe the display right. *Id.* (emphasis added).

Amidst this backlash, the Ninth Circuit reaffirmed its adherence to the “server test” in *Bell v. Wilmott Storage Servs., LLC*, 12 F.4th 1065 (9th Cir. 2021). In *Bell*, the Ninth Circuit applied the “server test” to *reverse* a district court’s grant of summary judgment in favor of a defendant over the display of a photograph of a city skyline. *Id.* at 1068-69. The Ninth Circuit found that a defendant, there, infringed the plaintiff photographer’s display right because the defendant’s “server was continuously transmitting the image to those who used the specific pinpoint address or were conducting reverse image searches using the same or similar photo.”²⁸

²⁶ In rejecting the “server test,” the district court noted, “Under the server rule, a photographer who promotes his work on Instagram or a filmmaker who posts her short film on YouTube surrenders control over how, when, and by whom their work is subsequently shown -- reducing the display right, effectively, to the limited right of first publication that the Copyright Act of 1976 rejects.” *Nicklen*, 551 F. Supp. 3d at 195–96.

²⁷ No. 19 CIV. 9617 (KPF), 2022 WL 836786, at *1 (S.D.N.Y. Mar. 21, 2022).

²⁸ *Id.* at 1073. The Ninth Circuit continued: “If any user had visited the pinpoint address for the [subject] photo, under either of its file names, [defendant]’s server—where it is undisputed the photos were stored—would transmit that photo to the user, where the photo would ‘fill [the user’s] computer screen with a copy of the [photo] fixed in the computer’s memory.’” *Bell*, 12 F.4th at 1073 (quoting *Perfect 10*, 508 F.3d at 1160).

Recently, in *Hunley*, the Ninth Circuit re-affirmed and clarified the “server test,” explaining that “*Perfect 10* did not restrict [its] application ...to a specific type of website, such as search engines.” *Hunley*, 73 F.4th at 1070. *Hunley* involved two photographers who claimed that the news websites of Time and BuzzFeed infringed their copyrights by embedding their Instagram posts. *Id.* at 1065-66. The plaintiffs brought a class action lawsuit against Instagram for secondary infringement (*i.e.*, inducement of copyright infringement, contributory copyright infringement, and vicarious copyright infringement). *Id.* at 1067. Instagram’s liability, therefore, depended on a finding of direct infringement by Time and BuzzFeed. The District Court for the Northern District of California dismissed the complaint finding *Perfect 10* to be controlling.²⁹ The plaintiffs appealed.

On appeal, the plaintiffs argued, among other things, that the “server test” “cannot be reconciled with other provisions of the Copyright Act that prohibit transmissions by a party, whether or not the party possesses or controls a copy of the work allegedly infringed.” *Hunley*, 73 F.4th at 1072. The Ninth Circuit, however, found those arguments to be foreclosed by *Perfect 10* requiring *en banc*³⁰ review, a change in the statute, or an intervening Supreme Court³¹ decision. *Id.* (“Whatever

²⁹ See *Hunley v. Instagram, LLC*, No. 21-CV-03778-CRB, 2021 WL 4243385, at *1 (N.D. Cal. Sept. 17, 2021), *aff’d*, 73 F.4th 1060 (9th Cir. 2023).

³⁰ On August 28, 2023, Plaintiffs/Appellants filed a Petition for Rehearing En Banc.

³¹ Among other arguments addressed, the Ninth Circuit distinguished *Perfect 10* from *American Broadcasting Cos. v. Aereo, Inc.*, 573 U.S. 431 (2014), which the plaintiffs argued was such an intervening Supreme Court decision. The Ninth Circuit rejected the argument that *Aereo* was irreconcilable with *Perfect 10*, in part, because *Aereo* addressed the public performance right under 17 U.S.C. § 106(4) and not the public display right under § 106(5). This distinction is noted in *Hunley* as follows:

The Copyright Act grants independent, exclusive rights “to perform ... [and] to display [a] copyrighted work.” 17 U.S.C. § 106(4), (5). The Act’s definition of “display” means “to show a copy” of the underlying work. To “perform” means “to

merit these arguments might have in other contexts, *Perfect 10* states the rule for infringing the public display right using embedding.”³² In applying the “server test,” the Ninth Circuit re-affirmed “[f]or a display to be actionable, it must display a copy,” which – under *Perfect 10* – requires “that a computer owner shows a copy ‘by means of a ... device or process’ when the owner uses the computer to fill the computer screen with the photographic image stored on that computer.” *Hunley*, 73 F.4th at 1069 (quoting *Perfect 10*, 508 F.3d at 1160 and 17 U.S.C. § 101) (cleaned up). Accordingly, the Ninth Circuit affirmed the lower court’s dismissal of the claims against Instagram because the embedded images by Time and BuzzFeed did not store the underlying copyrighted photographs on their servers, and thus, there was no direct infringement. *Id.* at 1077.

After *Hunley*, uncertainty exists about (1) the lawfulness of embedding content on the internet outside the Ninth Circuit, (2) the future of the “server test” following *en banc* review by the Ninth Circuit or a grant of certiorari by the Supreme Court, and (3) what application, if any, the “server test” has for embedding videos and other content.

recite, render, play, dance or act it ... or ... to show its images.” *Compare* 17 U.S.C. § 101 (definition of “display”) *with id.* (definition of “perform”).

...

[I]nfringing the public display right requires an underlying copy. ...However, to infringe the public performance right, the infringer need not show or perform a copy of the underlying work. *Id.* § 101 (definition of “perform”).

Hunley, 73 F.4th at 1073–74.

³² The Ninth Circuit continued, “[e]ven if we thought, in retrospect, that *Perfect 10* created some inconsistencies with other provisions of the Copyright Act, we are not free to overrule *Perfect 10* outside of an *en banc* proceeding unless there has been a change in the statute or an intervening Supreme Court decision.” *Id.*

IV. *Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith*

Not all uses of copyrighted material require the permission of the copyright owner. In particular, the “fair use defense permits the use of copyrighted works without the copyright owner’s consent under certain situations.” *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1163 (9th Cir. 2007); 4 *Nimmer on Copyright*, § 13.05 at 13-155 (2005). The fair use doctrine “encourages and allows the development of new ideas that build on earlier ones” and is designed to “avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.” *Perfect 10, Inc.*, 508 F.3d at 1163 (citation omitted); *Authors Guild v. Google, Inc.*, 804 F.3d 202, 212 (2d Cir. 2015) (“The ultimate goal of copyright is to expand public knowledge and understanding.... Thus, while authors are undoubtedly important intended beneficiaries of copyright, the ultimate, primary intended beneficiary is the public, whose access to knowledge copyright seeks to advance....”).

The fair use defense is codified in 17 U.S.C. § 107. Under this statute, “the fair use of a copyrighted work ... for purposes such as criticism, comment, news reporting, teaching ..., scholarship, or research, is not an infringement of copyright.” 17 U.S.C. § 107; *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 820 (9th Cir. 2003) (“To preserve the potential future use of artistic works for purposes of teaching, research, criticism, and news reporting, Congress created the fair use exception”). This is not an exhaustive list of protected fair uses, nor does the fact that a use falls under one of these categories mean that the use is automatically a fair use. *Wade Williams Distribution, Inc. v. Am. Broad. Co.*, No. 00 CIV. 5002 (LMM), 2005 WL 774275, at *8 n.4 (S.D.N.Y. Apr. 5, 2005) (“Fitting into one of the purposes listed in the preamble is instructive, but not conclusive of whether there is fair use”); *Seltzer v.*

Green Day, Inc., 725 F.3d 1170, 1178 (9th Cir. 2013). In determining fair use, courts consider four factors:

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

17 U.S.C. § 107. All four factors are to be explored, and the results weighed together, in light of the purpose of copyright. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578 (1994). This analysis requires a case-by-case, fact-specific review of these factors. *Perfect 10*, 487 F.3d at 720.

An important inquiry in reviewing the first factor is determining whether the use of the copyrighted work is “transformative.” *Id.* 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.” *Campbell*, 510 U.S. at 579. A use is transformative where the 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.” *Perfect 10 Inc.*, 487 F.3d at 721.³³

³³ See e.g., *Seltzer*, 725 F.3d at 1177 (“an allegedly infringing work is typically viewed as transformative as long as new expressive content or message is apparent. This is so even where ... the allegedly infringing work makes few physical changes to the original or fails to comment on the original.”); *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 609 (2d Cir. 2006) (use of concert posters as historical artifacts in a biography about the musical group *Grateful Dead* was transformative); *Philpot v. Media Research Ctr. Inc.*, 279 F. Supp. 3d 708, 715 (E.D. Va. 2018) (purpose and character of the use of famous musicians’ photographs was transformative

Recently, in *Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith*, 143 S. Ct. 1258 (2023), the Supreme Court narrowed the circumstances under which a work that copies from an existing work will be “transformative” under the first fair use factor. *Goldsmith* involved the use of an orange silkscreen portrait³⁴ of the musician, Prince made by Andy Warhol, which – like other paintings by Warhol – was made from a source photograph. In 1984, Warhol created the silkscreen of Prince for a *Vanity Fair* magazine based on a source photograph taken by photographer, Lynn Goldsmith, who granted a license to *Vanity Fair* for a one-time use. *Id.* at 1266-67. Warhol ultimately made 15 additional, similar works based on the same photograph in various colors (the “Prince Series”)³⁵ but no additional licenses were obtained vis-à-vis the other works in the Prince Series. *Id.* at 1268.

In 2016, after Prince’s death, Condé Nast contacted the Andy Warhol Foundation for the Visual Arts, Inc. (“AWF”) about reusing the 1984 *Vanity Fair* image for a special edition magazine that would commemorate Prince’s life. *Id.* at 1268. AWF informed Condé Nast about the other images in the Prince Series, and Condé Nast obtained a license to publish one known as “Orange Prince” instead. *Id.* Goldsmith did not know about the other works in the Prince Series, but when she saw Orange Prince on the cover of the magazine, she recognized her work and notified AWF that it had infringed her copyright. In response, AWF sued for declaratory relief in the Southern District of New York for non-infringement.

In 2019, the district court granted summary judgment in favor of AWF, declaring that Warhol’s series of additional works made fair use of Goldsmith’s

where the photographs were “surrounded by content and commentary unrelated to the musicians performing in concert”).

³⁴ See Appendix “A.”

³⁵ See Appendix “B.”

photograph finding that Warhol’s work can reasonably be perceived “to have transformed Prince from a vulnerable, uncomfortable person to an iconic, larger-than-life figure.”³⁶ The Second Circuit, however, reversed this ruling, holding all four fair use factors weighed in favor of Goldsmith and that the district court erred by focusing its “transformative” use analysis on its a subjective evaluation of the underlying artistic message of the Prince Series rather than examining whether the secondary work’s use of its source material is in service of a “fundamentally different and new” artistic purpose and character, such that the secondary work stands apart from the “raw material” used to create it.³⁷

AWF appealed to the Supreme Court which, in a 7-2 majority opinion drafted by Justice Sotomayor, affirmed the Second Circuit’s decision that AWF infringed Goldsmith’s photograph. Primarily concerned that an overbroad interpretation of “transformative” use would narrow copyright owners’ exclusive rights to create derivative works, the majority considered the effect a commercial use has on the first fair use factor when considering whether a work is sufficiently transformative.³⁸ The majority opinion emphasized, “the commercial character of a secondary use should

³⁶ See *Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith*, 382 F. Supp. 3d 312, 331 (S.D.N.Y. 2019), *rev'd and remanded*, 992 F.3d 99 (2d Cir. 2021), *opinion withdrawn and superseded on reh'g sub nom. Andy Warhol Found. for Visual Arts, Inc. v. Goldsmith*, 11 F.4th 26 (2d Cir. 2021), *aff'd sub nom. Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith*, 143 S. Ct. 1258 (2023), and *rev'd in part, vacated in part sub nom. Andy Warhol Found. for Visual Arts, Inc. v. Goldsmith*, 11 F.4th 26 (2d Cir. 2021), and *aff'd sub nom. Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith*, 143 S. Ct. 1258, 215 L. Ed. 2d 473 (2023).

³⁷ See *Andy Warhol Found. for Visual Arts, Inc. v. Goldsmith*, 11 F.4th 26, 41-42 (2d Cir. 2021), *aff'd sub nom. Andy Warhol Found. for the Visual Arts, Inc.* 143 S. Ct. 1258 (“Though it may well have been Goldsmith's subjective intent to portray Prince as a “vulnerable human being” and Warhol's to strip Prince of that humanity and instead display him as a popular icon, whether a work is transformative cannot turn merely on the stated or perceived intent of the artist or the meaning or impression that a critic – or for that matter, a judge – draws from the work.”).

³⁸ *Goldsmith*, 143 S. Ct. at 1275.

be weighed against the extent to which the use is transformative or otherwise justified.”³⁹ To weigh in favor of fair use, a secondary work’s transformative character or justification must outweigh its commercial nature.

The majority clarified that its opinion was limited to the specific use of AWF’s commercial licensing of Orange Prince to Condé Nast and not “the creation, display, or sale of any original Prince Series works.”⁴⁰ The majority opinion characterized AWF’s specific use of Orange Prince and Goldsmith’s photograph as both being “portraits of Prince used in magazines to illustrate stories about Prince” and concluded that both “share substantially the same purpose.” *Id.* at 1278-80.

The dissenting opinion, however, authored by Justice Kagan, criticized the majority for placing too great an emphasis on the similarity of the uses between Goldsmith’s photograph and AWF’s commercial license of Orange Prince, and failing to consider the transformative, artistic expression Warhol added to Goldsmith’s photograph. The dissent opined, “today’s decision...leaves our first-factor inquiry in shambles. The majority holds that because Warhol licensed his work to a magazine—as Goldsmith sometimes also did—the first factor goes against him.” *Id.* at 1294 (Kagan, J., dissenting). Justice Kagan further noted that the majority opinion was difficult to reconcile with its prior decision in *Campbell v. Acuff-Rose Music, Inc.*, in which the Supreme Court held that 2 Live Crew’s rap version of Roy Orbison’s “Pretty Woman” was a “transformation,” even though it was, nevertheless, still an infringing use because 2 Live Crew’s transformation did not rise “to the level of parody, a distinct purpose of commenting on the original or criticizing it.” *Id.* at 1299 (Kagan, J., dissenting); *see also id.* at 1275 (majority opinion); *Campbell*, 510 U.S. 569, 580-83.

³⁹ *Id.* at 1280, n.13.

⁴⁰ *Id.* at 1278.

In short, the majority’s focus on the specific, commercial use of Orange Prince by AWF as a magazine cover, which was exactly how Goldsmith’s original photograph has been used, without reaching a determination as to the creation, display, or sale of any original Prince Series works arguably creates a narrow holding. Yet, it is unclear how much emphasis lower courts will give to the commercial nature of a secondary use when considering whether that use is sufficiently transformative under the first factor of the fair use analysis. What is clear, however, is that any analysis of transformative use must now focus on the *specific* use alleged to be infringing and whether it serves a separate purpose and character from the underlying work, including whether such use is for a commercial purpose.

APPENDIX “A”

Goldsmith Photo	Condé Nast Magazine Cover	Majority’s Comparison
		

APPENDIX "B"

The Prince Series

AWF-2001 (Ex. 48)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches



AWF-1992 (Ex. 39)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches



AWF-1993 (Ex. 40)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches



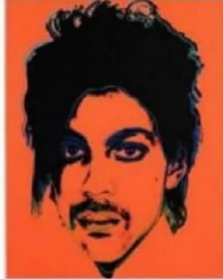
AWF-1995 (Ex. 42)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches



AWF-2002 (Ex. 49)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches



AWF-1994 (Ex. 41)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches



AWF-2003 (Ex. 50)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches



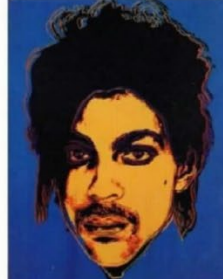
AWF-1997 (Ex. 44)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches



AWF-1996 (Ex. 43)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches



AWF-1999 (Ex. 46)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches



AWF-2004 (Ex. 51)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches



AWF-2005 (Ex. 52)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches



AWF-1998 (Ex. 45)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches



AWF-2000 (Ex. 47)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches



AWF-2006 (Ex. 53)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches



AWF-2007 (Ex. 54)
Andy Warhol, Prince, 1984, acrylic and silkscreen ink on linen, 20 x 16 inches

