

Kelly v. Arriba Soft, 280 F.3d 934 (9th Cir. 2002)

*“Each new advance in the technology of communications disturbs a status quo. . . . Technical laymen, such as judges, perceive the new technology in [its] early clumsy form, which then becomes their image of its nature, possibilities, and use. This perception is an incubus on later understanding.”*¹

I. INTRODUCTION

As the Internet has expanded while undergoing significant commercialization, courts have struggled to apply existing legal doctrines to a myriad of novel technologies. Much of this tumultuousness in the legal landscape has taken place with regard to methods for hyperlinking to content on the Internet. In *Kelly v. Arriba Soft*,² the Ninth Circuit attempted to lend this area of law some measure of clarity, holding that Arriba Soft’s creation of small “thumbnails” of Kelly’s copyrighted images for use in its visual search engine constituted fair use per Section 107 of the Copyright Act.³ The court also held as a matter of first impression that Arriba’s unauthorized inline linking to, and “framing” of, images residing on Kelly’s website violated Kelly’s right of public display.⁴ However, the analysis performed by the Ninth Circuit panel is inconsistent with some applicable authority⁵ and has faced mixed reviews from legal commentators.⁶ This Note attempts to reconcile the Ninth Circuit’s analysis with relevant authority, taking the positions of various courts and commentators into account. It then examines *Kelly*’s likely implications for websites desirous of using thumbnail images, inline linking, framing, and similar technologies.

¹ ITHIEL DE SOLA POOL, TECHNOLOGIES OF FREEDOM 7 (1983).

² 280 F.3d 934 (9th Cir. 2002).

³ *See id.* at 948.

⁴ *See id.*

⁵ *See* Part V, *infra* (Please note: this shall be in the analysis portion).

⁶ *See, e.g.,* Kelly Donohue, Note, *Court Gives Thumbs-Up For Use of Thumbnail Pictures Online*, 2002 DUKE L. & TECH. REV. 0006, ¶19-20 (giving general approbation to the Ninth Circuit’s decision); Eugene R. Quinn, Jr., *Web Surfing 101: The Evolving Law of Hyperlinking*, 2 BARRY L. REV. 37, 64 (2001) (criticizing the fair use determination of the district court in *Kelly v. Arriba Soft*, 77 F. Supp. 2d 1116, 1119 (C.D. Cal. 1999); this particular holding was affirmed by the Ninth Circuit and Quinn’s remarks are thus applicable to the appellate court’s reasoning).

II. THE TECHNOLOGIES AT ISSUE

Inline Linking and Framing

Both inline linking (often “inlining” herein) and framing allow a web publisher to associate itself with the content of another party and to create a Web page that is a hybrid of both parties’ content.⁷ Such works shall hereinafter be referred to as “combinative” works.⁸ Inline links allow a website to import a graphic from another website into its own website and to display the image as if it resided on its own server.⁹ The end user is typically unaware that the image has been imported from another website. Framing is quite similar, involving the importing of a graphic or, more often, an entire Web page, into a “frame” on the importing website’s Web page.

A Web site operator may prevent the inline linking to, or framing of, her Web pages or images by the use of simple programming techniques.¹⁰ Thus, if the image or Web page has been made available to the public for free without technological restrictions in place, commentators have criticized the arguments of those who would hold a framing site guilty for infringement.¹¹ Moreover, if a Web site operator attempted to defeat such technological

⁷ See Mark Sableman, *Link Law Revisited: Internet Linking Law at Five Years*, 16 BERKELEY TECH. L.J. 1273, 1297 (2001). See also Lydia Pallas Loren, *The Changing Nature of Derivative Works in the Face of New Technologies*, 4 J. SMALL & EMERGING BUS. L. 57, 59 (2000).

⁸ Such works have also been said to create “adaptive Web displays,” *id.*, and have also been called “integrated” works, Loren at 59. Since such works necessarily combine the content of two sites, but do not necessarily integrate the content or necessarily “adapt” the content of either site, it is more precise to call them combinative; this asserts only that they combine the two sites’ content.

⁹ For further explanation of the workings of inlining and framing, see Nicos L. Tsilas, *Minimizing Potential Liability Associated With Linking and Framing on the World Wide Web*, 8 COMMLAW CONSPECTUS 85, 86 (2000).

¹⁰ See David Yan, *Virtual Reality: Can We Ride Trademark Law to Surf Cyberspace?*, 10 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 773, 812-813 (2000); Aaron Rubin, Comment, *Are You Experienced? The Copyright Implications of Web Site Modification Technology*, 89 CAL. L. REV. 817, 842 n. 165 (2001); Quinn at 47; Sableman at 1341; Loren at 91.

¹¹ See Loren at 88.

restrictions, she could face liability under the Digital Millennium Copyright Act's anticircumvention provisions.¹²

“Thumbnail” Images

“Thumbnail” images are smaller, lower resolution copies of a digital image. They are often used to link to the corresponding full-size image, but they serve their linking function no differently than an ordinary text hyperlink. By definition, a copy must be made of the full-size image in order to create the thumbnail.

III. LEGAL BACKGROUND – INLINE LINKING AND FRAMING

For a copyright owner to maintain a suit for copyright infringement, he or she must prove: (1) ownership of a valid copyright in the work; (2) copying by the defendant; and (3) improper appropriation.¹³ Website operators inlining or framing other Web sites' content have not copied anything,¹⁴ and thus, most commentators prior to the *Kelly* decision contended that such individuals could not be held liable for direct copyright infringement.¹⁵

Infringement of the Right to Publicly Display the Work

A copyright owner is granted the exclusive right to “display the work publicly.”¹⁶ The Copyright Act's definition of the term "publicly" encompasses a transmission of a display of a work to the public "by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places

¹² The Act prohibits manufacture or distribution to the public any product or any part of any product that is primarily designed for circumventing technological protections. 17 U.S.C. § 1201(a)(2)(A). *See* Sableman at 842 n. 167 (citing The Digital Millennium Copyright Act of 1998, Pub. L. No. 105-304, § 103(a), 112 Stat. 2860, 2863-72 (codified at 17 U.S.C. § 1201 (Supp. IV 1998)).

¹³ NIMMER & NIMMER, NIMMER ON COPYRIGHT 4 § 13.01, at 13-5, § 13.01[B], at 13-9.

¹⁴ *See* Nicole M. Bond, Note, Linking and Framing on the Internet: Liability under Trademark and Copyright Law, DEPAUL BUS. L.J. 185, 213 (1998) (citing Kenneth Freeling and Joseph E. Levi, *Frame Liability Clouds the Internet's Future*, N.Y.L.J., May 19, 1997, at 3.).

¹⁵ *See, e.g.*, Loren at 59.

¹⁶ 17 U.S.C. § 106(5).

and at the same time or at different times."¹⁷ Moreover, unlike the reproduction right, the display right extends to any copy of the work, including the original one.¹⁸ A display is defined as "any act by which the initial performance or display is transmitted, repeated, or made to recur."¹⁹ Thus, although a framing site does not store a copy of any of its target pages nor directly transmit such copies, the instructions contained in their frameset documents do directly cause the page to be displayed within a frame.²⁰ Although the user requests the copies, the framing site contains by itself the code necessary to display the foreign content in a questionable manner.²¹ Given its editorial decision to structure its content in that manner, if this display is indeed infringement, it may be plausibly argued that the framing site has at least "caused" or "induced" it.²²

Despite the merits of such an argument, the *Kelly* court cited no authority in direct support of its position. For instance, in *Playboy Enterprises v. Webbworld*,²³ a case which the *Kelly* court relied upon heavily, the court found direct infringement of Playboy's reproduction, distribution, and display rights by a Web site that stored several of Playboy's copyrighted images on its servers and displayed them to its subscribers.²⁴ The court described the display right as "broad . . . cover[ing] '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.'"²⁵ The district court in *Webbworld* had also noted that the legislative history of the Act also states that "[t]he display right precludes unauthorized

¹⁷ 17 U.S.C. § 101.

¹⁸ See H.R. REP. NO. 94-1476, at 64 (1976)).

¹⁹ *Id.* at 63.

²⁰ See Brian D. Wassom, *Copyright Implications of "Unconventional Linking" on the World Wide Web: Framing, Deep Linking and Inlining*, 49 CASE W. RES. L. REV. 181, 208 (1998).

²¹ See *id.*

²² See *id.*

²³ 991 F. Supp. 543 (N.D. Tex. 1997), *aff'd*, 168 F.3d 486 (5th Cir. 1999).

²⁴ See *id.* at 561-62.

²⁵ *Id.* at 552 (citing H.R. REP. NO. 1476, 94th Cong., 2d Sess. 64 (Sept. 3, 1976), reprinted in 1976 U.S. CODE CONG. & ADMIN. NEWS 5659, 5677).

transmission of the display from one place to another . . . by a computer system."²⁶ It also yields that "[e]ach and every method by which the images or sounds comprising a performance or display are picked up and conveyed is a 'transmission,' and if the transmission reaches the public in [any] form, the case comes within the scope of [the public performance and display rights] of section 106."²⁷

The Ninth Circuit drew upon this line of reasoning in *Kelly*, deciding as a matter of first impression that the framing and inlining of a photographer's copyrighted digital images constituted an infringement of his right to publicly display the images.²⁸ In so doing, it relied most heavily upon the authority cited above, as well as *Playboy Enterprises v. Russ Hardenburgh, Inc.*²⁹ In *Hardenburgh*, the court held that making photographs available on an online bulletin board service (BBS) constituted a public display, even though the display was limited to subscribers, and the photographs were only able to be viewed after being downloaded from the BBS.³⁰ Considering the marked distinction between a BBS and the Internet of today, along with the *Kelly* court's lack of authority supporting its proposition, it remains to be seen whether courts in other circuits – that is, those not burdened by the *Mirage* holding³¹ – will similarly perform a display rights analysis rather than the derivative work analysis that was formerly favored by the courts in cases of this sort.

²⁶ See *id.* (citing H.R. REP. NO. 1476, 94th Cong., 2d Sess. 80 (Sept. 3, 1976), reprinted in 1976 U.S. CODE CONG. & ADMIN. NEWS 5659, 5677); see also Rubin at 829 (citing 991 F. Supp. 543, 552 (N.D. Tex. 1997), *aff'd*, 168 F.3d 486 (5th Cir. 1999)).

²⁷ H.R. REP. NO. 94-1476, at 64 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5677.

²⁸ See *Kelly*, 280 F.3d at 947. Note that the court's argument, that Arriba soft was not merely a "passive conduit" for the copyrighted images, parallels the argument proffered by Wassom in n.19, *supra*.

²⁹ 982 F. Supp. 503 (N.D. Ohio 1997).

³⁰ *Id.* at 513.

³¹ See *infra* n.58.

Infringement of the Right to Create Derivative Works

The challenge in defining the scope of derivative works has plagued courts for more than a century, from the time the first court recognized the right to control certain limited categories of adaptations.³² Today, in the context of digital media creations that defy solid analogy to works not created in the world of 1s and 0s, consistently applying a definition for derivative works presents an even greater challenge.³³ The monumental nature of this challenge is well-reflected in derivative works analyses as applied to framing and inlining Web sites.

Before *Kelly*, a few plaintiffs had asserted infringement of their right to create derivative works as a legal theory on which to sue Web sites that inline linked or framed their copyrighted content.³⁴ This took place despite a plethora of commentators arguing against the theory.³⁵ The derivative works theory has two permutations. In the first, when an end user views a combinative work, a novel audiovisual experience is created that combines elements of the combinative work and elements of the preexisting works.³⁶ In the second, the copyright owner asserts that the framing or inlining site is itself creating a derivative work; it claims both that the combinative work itself is a work that is "based on" the copyrighted work it references and that the work created by the interaction of the combinative work and that the copyrighted work constitutes a derivative work.³⁷

³² Loren at 92.

³³ *Id.*

³⁴ See, e.g., *Washington Post Co. v. Total News, Inc.*, 97 Civ. 190 (PKL) (S.D.N.Y., complaint filed Feb. 20, 1997) complaint PP7-10, available at <http://www.jlx.com/internet/complaint.html>; *Shetland Times, Ltd. v. Wills*, [1997] F.S.R. 604, 1997 S.L.T. 669, (Sess. Oct. 24, 1996) (Scot.) (issuing temporary restraining order pursuant to Scottish law), available at <http://www.jmls.edu/cyber/cases/shetld1.html> (visited Sept. 19, 2002), (dismissed upon settlement on Nov. 11, 1997), available at <http://www.jmls.edu/cyber/cases/shetld2.html> (visited Sept. 19, 2002); see also Quinn at 57 (citing *Futureodontics, Inc. v. Applied Anagramics, Inc.*, 45 U.S.P.Q.2d 2005, 2007, *aff'd*, 152 F.3d 925 (9th Cir. 1998)).

³⁵ See Wassom at 222-23 (suggesting that the derivative work theory is untenable); Stoker at 1329 (arguing that a framed hyperlink should not be held to violate the derivative work right); Rubin at 837-40 (making a similar argument).

³⁶ See Loren at 88.

³⁷ See Loren at 66.

Despite these theories' tenability,³⁸ the *Kelly* court did not so much as mention the possibility of Arriba Soft's liability on this basis. Thus, should the Ninth Circuit's approach become widely followed, its *Kelly* decision could portend significant changes in future inline linking and framing cases. Even prior to *Kelly*, it had been suggested that courts eschew the derivative works analysis for an analysis of other rights that would also be infringed in most derivative works cases.³⁹ In any case, the derivative work theory is included herein so as to provide a foundation for evaluating the *Kelly* court's analysis and its implications for future litigants.

The owner of a copyright has the exclusive right to prepare derivative works based on the copyrighted work.⁴⁰ Derivative work rights did not exist under the common law, which limited its scope to the existing market for an author's work.⁴¹ However, after the creation of a limited derivative work right in the 1870 Copyright Act⁴² and its slight expansion in the 1909 Copyright Act,⁴³ Congress extended copyright protection to all forms of derivative works in the 1976 Copyright Act.⁴⁴ The derivative right has been described as existing where "the contribution of independent expression to an existing work effectively creates a new work for a different market,"⁴⁵ and it may be infringed even if no unlawful copy of the material is made.⁴⁶ This is

³⁸ See *WGN Continental Broadcasting Co. v. United Video*, 693 F.2d 622, 625 (7th Cir. 1983) ("Although Web sites may well have an implied license to directly link to other sites on the Internet, that does not mean that a licensee has the right to make derivative works unless expressly authorized to do so by the copyright owner."). This most strongly supports the second theory of liability for infringing the right to create derivative works.

³⁹ See, e.g., Hillel I. Parness, *Framing the Question: How Does Kelly v. Arriba Soft Advance the Framing Debate?*, 7 NO. 1 CYBERSPACE LAW. 9 (2002).

⁴⁰ See 17 U.S.C. § 106(2).

⁴¹ See Timothy Everett Nielander, *The Mighty Morphin Ninja Mallard: The Standard for Analysis of Derivative Work Infringement in the Digital Age*, 4 TEX. WESLEYAN L. REV. 1, 9 (1997).

⁴² See Act of July 8, 1870, ch. 230, § 86, 16 Stat. 198, 212 (1870).

⁴³ See Copyright Act of 1909, 35 Stat. 1075 (1909) (amended 1976)).

⁴⁴ See 17 U.S.C. § 106(2) (1994).

⁴⁵ See Michael A. Stoker, *Framed Web Pages: Framing the Derivative Works Doctrine on the World Wide Web*, 67 U. CIN. L. REV. 1301, 1311 (citing Paul Goldstein, *Derivative Rights and Derivative Works in Copyright*, 30 J. COPYRIGHT SOC'Y U.S.A. 209, 217 (1983)).

further complicated by the fact that nearly all works are “derivative works” in a sense, since in nearly all cases they are based to some extent on preexisting works.⁴⁷ For these and other reasons, the Ninth Circuit recently called the right “hopelessly overbroad.”⁴⁸

Indeed, how far the derivative work right should extend into markets other than the market for the underlying work embodies the ongoing struggle to define the scope of derivative works.⁴⁹ In large measure, the derivative work right is meant to guard against market substitution.⁵⁰ This is complicated by the fact that arguing that an integrated work interferes with the right of the underlying work’s owner to license derivative works or market her own derivative works assumes that the integrated work is a derivative, the very question at issue.⁵¹ Some commentators have suggested that this tendency is due, in part, to the restitutionary nature that pervades copyright law.⁵² One of them contends that copyright protection was not designed to represent the “fair and just course of action,” but rather, to advance the progress of science and the arts.⁵³ Thus, she argues that the restitutionary impulse should be rejected as grounds for recognizing the derivative work right.⁵⁴ However, the derivative work right provides incentives for authors to proportion their investment in a work’s expression not only from the returns expected in which the copyrighted work is first published, but from other derivative markets as well.⁵⁵ If framing copyrighted material were held to be a fair use, copyright owners would lose

⁴⁶ See Bond at 269-70 (citing Freeling & Levi at S12); see also 2 NIMMER & NIMMER § 8.09(A) (citing H. REP. NO. 94-1476., p. 62).

⁴⁷ See 1 NIMMER & NIMMER § 3.01 (citing Emerson v. Davies, 8 F. Cas. 615, 619 No. 4436 (C.C.D. Mass. 1845)).

⁴⁸ Micro Star v. FormGen, Inc., 154 F.3d 1107, 1110 (9th Cir. 1998).

⁴⁹ See Loren at 80.

⁵⁰ See *id.* at 84.

⁵¹ See *id.*

⁵² See Loren at 82; see generally Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutionary Impulse*, 78 VA. L. REV. 149 (1992).

⁵³ See Loren at 83 (citing Feist Publications, Inc. v. Rural Tel. Servs. Co., 499 U.S. 340, 349 (1991)).

⁵⁴ See *id.*

⁵⁵ Paul Goldstein, *Derivative Works and Derivative Works in Copyright*, 30 J. COPR. SOC’Y 209 (1983).

the right to license their content for a fee.⁵⁶ This concern was evident in the *Kelly* court's analysis, since the derivative work theory was not mentioned, however, the argument arose in the context of the right to publicly display the work.⁵⁷

The *Kelly* court's decision to forgo the derivative works analysis may have been due, if only in part, to a particular mix of questionable precedent in the Ninth Circuit. In *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*,⁵⁸ a Ninth Circuit panel held that removing reproductions of given art works from a compilation of copyrighted art works, and thereafter mounting those reproductions onto ceramic tile, resulted in the creation of derivative works.⁵⁹ Shortly thereafter in a separate case against the same defendant, a federal district court in Alaska held that mounting an artist's lithographs and notecards onto tiles was similarly infringing.⁶⁰ The court distinguished this activity from mere framing on the grounds that "[framing] amounts only to a method of display" and because "it is a relatively simple matter to remove the print or painting [from the frame] and display it differently if the owner chooses to do so."⁶¹ The reasoning of these two cases has been criticized by many courts and legal scholars,⁶² and was explicitly not followed by the Seventh Circuit.⁶³

⁵⁶ See *Wassom* at 233 (citing *DC Comics Inc. v. Reel Fantasy, Inc.*, 696 F.2d 24, 28 (2d Cir. 1982) ("[O]ne of the benefits of ownership of copyrighted material is the right to license its use for a fee . . .")); see also *Lee v. A.R.T. Co.*, 125 F.3d 580, 581 (7th Cir. 1997).

⁵⁷ See *Kelly*, 280 F.3d at 948.

⁵⁸ 856 F.2d 1341 (9th Cir. 1988), *cert. denied*, 489 U.S. 1018 (1989).

⁵⁹ 856 F.2d at 1342-43.

⁶⁰ *Munoz v. Albuquerque A.R.T. Co.*, 829 F. Supp. 309 (D. Alaska 1993).

⁶¹ *Id.* at 314 & n. 4.

⁶² See, e.g., 1 NIMMER & NIMMER § 3.03 ("Even apart from the questionable contribution of intellectual labor in the physical activities of page-removal and mounting, it is difficult to imagine that [an artist] could take separately copyrighted individual art works and, merely by reproducing them in a compilation and then taking the reproduced pages out of the compilation and remounting them, thereby obtain a new copyright in the same art works. For the sole contribution added in this process is the method of mounting; choosing ceramic rather than cardboard as the backing material should scarcely be construed as a "meaningful" variation in the eyes of the Copyright Act." (internal citations omitted)); see also *Stoker* at 1321-22 (citing PAUL GOLDSTEIN, COPYRIGHT § 5.3 at 5:84); *Gordon* at 255 n.401 (1992); *Precious Moments, Inc. v. La Infantil, Inc.*, 971 F. Supp. 66 (D.P.R. 1997).

⁶³ See *Lee*, 125 F.3d at 582-83 ("[I]f [the Ninth Circuit is] right about what counts as a derivative work, then the United States has established through the back door an extraordinarily broad version of authors' moral rights. . . .

Despite *Mirage*'s lack of acceptance, it was considered valid precedent in *Futuredontics, Inc. v. Applied Anagramatics, Inc.*,⁶⁴ the only American case involving inline linking or framing prior to *Kelly*. In *Futuredontics*, the plaintiff argued, *inter alia*, that the framing created an unauthorized derivative work based on its own Web site.⁶⁵ The court cited both *Mirage* and *Louis Galoob Toys, Inc. v. Nintendo of America, Inc.*,⁶⁶ the latter of which substantially undercut *Mirage* but did not overrule it.⁶⁷ In *Galoob*, the Ninth Circuit held that altered displays of a video game were not sufficiently "fixed" to constitute an infringing derivative work.⁶⁸ In addition, the court held that since the allegedly infringing product could not independently generate the altered displays, it was not a derivative work, and thus could not be an infringement.⁶⁹ Faced with this inconclusive authority, the *Futuredontics* district court refused both plaintiff's motion for a preliminary injunction and defendant's motion to dismiss,⁷⁰ holding that the cases cited by the parties did not conclusively determine whether Defendants' frame page constituted a derivative work.⁷¹ This yielded an air of uncertainty to the derivative works theory in the Ninth Circuit⁷² that--unless the derivative works right has indeed been

"[I]t would not be sound to use [the derivative work right] to provide artists with exclusive rights deliberately omitted from the Visual Artists Rights Act."

⁶⁴ 1998 U.S. Dist. LEXIS 2265 (C.D. Cal. 1998), *aff'd*, 152 F.3d 925 (9th Cir. 1998).

⁶⁵ *See id.*

⁶⁶ 964 F.2d 965 (9th Cir. 1992).

⁶⁷ *See* Quinn at 58 ("To be sure, the Ninth Circuit did distinguish the *Mirage* case from its *Galoob* decision and certainly did not overrule *Mirage*, but it is indeed difficult to discern a principled reason why the display of an image mounted on a ceramic tile is so radically different from the display of an image viewable through a video game monitor. Therefore, it seems unlikely that Courts will in the future find that framing creates a derivative work.") (internal citations omitted).

⁶⁸ *Id.* at 968.

⁶⁹ *Id.* at 969.

⁷⁰ *See Futuredontics*, 1998 U.S. Dist. LEXIS 2265, p. 10.

⁷¹ *Id.*

⁷² *See* Quinn at 58.

supplanted by other, more basic, exclusive rights in such cases⁷³-- Kelly has left entirely unabated.

IV. LEGAL BACKGROUND - THE FAIR USE EXCEPTION

In the United States, a copyright owner has the exclusive right to reproduce, distribute, and publicly display copies of the copyrighted work.⁷⁴ However, Congress created a fair use exception to preserve the potential future uses of artistic works for purposes of research, teaching, criticism, and news reporting.⁷⁵ 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.”⁷⁶

The fair use exception, described as “the most troublesome [doctrine] in the whole law of copyright” by a jurist no less esteemed than Judge Learned Hand,⁷⁷ has served as a source of difficulty and uncertainty since 1841.⁷⁸ In that year, *Folsom v. Marsh* formally introduced the concept of fair use,⁷⁹ and this initial elucidation was to not only guide the development of the common law for well over a century, but also to serve as the basis for Congress’ codification of the fair use defense in 1976.⁸⁰ The fair use defense was consistently enigmatic throughout its

⁷³ See Hillel I. Parness, *Framing the Question: How Does Kelly v. Arriba Soft Advance the Framing Debate?*, 7 NO. 1 CYBERSPACE LAW. 9 (2002) (“The ultimate legacy of the Kelly decision may be to recognize that, while interesting from an academic point of view, from a practical standpoint framing need not involve an analysis of the thorny derivative works issue, when other, more basic, exclusive rights have been violated, as well.”).

⁷⁴ See 17 U.S.C. § 106.

⁷⁵ See 17 U.S.C. § 107.

⁷⁶ *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1399 (9th Cir. 1997).

⁷⁷ *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661 (2d Cir. 1939).

⁷⁸ The doctrine was first clearly articulated in *Folsom v. Marsh*, 9 F. Cas. 342 (C.C. Mass. 1841), a case involving the publication of George Washington’s private letters. See ROBERT MERGES ET AL., *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 490-91 (2nd ed. 2000).

⁷⁹ See *Folsom v. Marsh*, 9 F. Cas. 342, 348 (C.C. Mass. 1841) (No. 4901) (identifying five elements of the fair use defense, including: (a) the nature and objects of the selections made; (b) the quantity and value of the materials used; (c) the degree to which the use may prejudice the sale of the original work; (d) the degree to which the use may diminish the profits of the original work; and, (e) the degree to which the use may supersede the objects of the original work).

⁸⁰ Ruth Okediji, *Givers, Takers, and Other Kinds of Users: A Fair Use Doctrine For Cyberspace*, 53 FLA. L. REV. 107, 118-19 (2001).

common law history, however, until Congress addressed it as an important portion of the revisions of the Copyright Act of 1976. The fair use exemption is codified in 17 U.S.C. § 107 and states, in relevant part, that:

. . . In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include –

- (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.⁸¹

During deliberation on the bill, Congress made clear that this list of factors was to be illustrative rather than exhaustive.⁸² Thus, the implementation of Congress' goal, to achieve an optimal balance between fostering incentives for the creation of literary and artistic works and the optimal use and dissemination of such works,⁸³ has been largely left to the courts. The doctrine thus retains much of its unpredictable and amorphous nature, particularly with respect to novel issues on the Internet.⁸⁴

With respect to fair use on the Internet, the most important development in the doctrine during recent times took place in--oddly as it may seem--a parody case. In *Campbell v. Acuff-Rose Music, Inc.*,⁸⁵ the Supreme Court took a step back from its previous fair use cases, instead

⁸¹ See 17 U.S.C. § 107.

⁸² See MERGES ET. AL at 490 (citing H.R. REP. NO. 94-1476, at 66 (1976) (stating that the factors to be considered – along with section 107's list of possible fair uses – were “the result of a process of judicial accretion” during the judicial development of the fair use doctrine at common law, and that section 107 was designed to “offer some guidance” in determining fair use rather than to formulate “exact rules”); see also Okediji at 123 (citing Notes of Committee on the Judiciary, H.R. Rep. No. 94-1476, at 68 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5681 (stating “[t]here may be instances in which copying which does not fall within the guidelines . . . may nonetheless be permitted under the criteria of fair use”).

⁸³ See MERGES ET. AL at 352.

⁸⁴ See generally Oeidiji.

⁸⁵ 510 U.S. 569 (1994).

emphasizing a fact-based inquiry.⁸⁶ As to the statutory fair use factors, the Court held that a commercial use of the copyrighted material does not end the inquiry under the “purpose and character of the use” factor.⁸⁷ Rather, stated the Court, [t]he central purpose of this investigation is to see . . . whether and to what extent the new work is transformative.⁸⁸ This analysis was refined somewhat by the Ninth Circuit in *Sony Computer Entertainment America, Inc. v. Bleem*.⁸⁹ Here, the court claimed, with respect to “screen shots” taken from a copyrighted video game, that “comparative advertising redounds greatly to the purchasing public's benefit with very little corresponding loss to the integrity of [the plaintiff's] copyrighted material.”⁹⁰ *Campbell* also addressed the “effect of the use upon the potential market for or value of the copyrighted work,” citing *Nimmer* in explaining that courts must consider “not only the extent of market harm caused by the particular actions of the alleged infringer, but also ‘whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market for the original.’”⁹¹ The *Campbell* Court also noted that “[w]hen the second use . . . is transformative, market substitution is at least less certain, and market harm may not be so readily inferred.”⁹²

Neither the nature of the copyrighted work, nor the amount and substantiality of the portion used in relation to the whole, were significantly discussed by the Ninth Circuit in *Kelly*, and the case did nothing to change existing doctrine with respect to those two statutory factors. With respect to the nature of the work, the *Kelly* court again cited *Campbell*, this time for the proposition that “[w]orks that are creative in nature are closer to the core of intended copyright

⁸⁶ Lloyd L. Weinreb, Lecture, *Fair Use*, 4 FORDHAM L. REV. 1291, 1299 (1999).

⁸⁷ *Id.* at 579.

⁸⁸ *Id.*

⁸⁹ 214 F.3d 1022 (9th Cir.2000).

⁹⁰ *Id.* at 1027.

⁹¹ *Campbell*, 510 U.S. at 590 (quoting 3 NIMMER & NIMMER § 13.05[A][4], at 13-102.61 (1993)) (ellipses in original).

⁹² *Id.* at 591.

protection than are more fact-based works."⁹³ The court also relied upon *Harper & Row Publishers, Inc. v. Nation Enterprises*⁹⁴ in noting that the scope of fair use is narrower with respect to unpublished works because the author's right to control the first public appearance of his work weighs against the use of his work before its release.⁹⁵

With respect to the amount and substantiality of the portion used in relation to the copyrighted work as a whole, the court first noted that "[w]hile wholesale copying does not preclude fair use per se, copying an entire work militates against a finding of fair use."⁹⁶ Recalling the Supreme Court's statement in *Campbell* that the extent of permissible copying varies with the purpose and character of the use,⁹⁷ the Ninth Circuit stated that "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."⁹⁸ Thus, the chief significance of *Kelly*'s rationale with respect to this statutory factor may well be that the amount and substantiality of copying is insignificant as compared to a judgment of whether the new use is transformative.⁹⁹

⁹³ *Kelly*, 280 F.3d at 942-43 (citing *Campbell*, 510 U.S. at 586).

⁹⁴ 471 U.S. 539 (1985).

⁹⁵ See *Kelly* at 943.

⁹⁶ *Id.* at 943 (citing *Worldwide Church of God v. Philadelphia Church of God*, 227 F.3d 1110, 1118).

⁹⁷ See *id.* at 943 (citing *Campbell*, 510 U.S. at 586-87).

⁹⁸ *Kelly*, 280 F.3d at 943.

⁹⁹ See *Kelly*, 280 F.3d at 943 ("This factor will neither weigh 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 [transformative] use of the images.").