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Do Google's losses in Germany mute the *Perfect 10* party?


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In contrast to its 2007 victory before the US Court of Appeals for the Ninth Circuit in the *Perfect 10 Case*, Google has suffered a setback in Germany with a trial court holding that Google's display of images as low-resolution 'thumbnails' without permission of the copyright holder constituted infringement under German copyright law.

This divergence in the scope of international copyright protection presents practical issues for US-based internet service providers (ISPs), search engines and website owners that publish third-party content or allow third-party content to be published on their websites. The issue is not just limited to Google; it is not unheard of for US-based websites to be called before foreign courts and made to comply with foreign laws that offer more stringent forms of copyright protection than the United States.

The Ninth Circuit's *Perfect 10* decision was a good win for ISPs and search engines. The court held that Google's use of thumbnail images in its image search tool constituted fair use (see "Time out for Perfect 10 as Google is found not liable for thumbnail images"). The crux of the Ninth Circuit's decision was that Google's search engine display of thumbnail images was highly transformative and provided an important public benefit as an electronic reference tool which directed the user to a source of information. The court reasoned that this transformative use outweighed the commercial nature of Google's uses of the thumbnail images. While the holding was not without its limits (eg, the case was decided in the procedural posture of a preliminary injunction), the decision offered important guidance on the fair use defence and the concept of transformative use as applied to digital media.

Compare this to two decisions of the Hamburg Regional Court in October 2008. The court held that Google had infringed the copyrights of a photographer and an artist by publishing their drawings without permission as low-resolution thumbnails in connection with Google's search service (see Cases 308 O 42/06 and 308 O 248/07). The court was not impressed with Google's arguments that the thumbnail images were:

- smaller;
- offered at lower resolution; or
- displayed in connection with Google's search service for the public's benefit.

In direct contrast to the Ninth Circuit, the Hamburg Regional Court held that no new works were created in the thumbnail images to justify their display without the permission of the copyright owners. However, Google has announced that it will appeal the German court's decisions, so the issue is far from settled.

The *Google Cases* in Germany and in the United States illustrate the risks that ISPs, search engines and other website owners face when dealing with the fair use defence. After all, fair use is an affirmative defence that is codified in Section 107 of the US Copyright Act and, as such, is unique to US law. Importantly, it is a defence that, by its very nature, presupposes that the use of copyrighted material is unauthorized. To avoid liability, the defendant bears the burden of proving that its unauthorized use meets the criteria of fair use. In this regard, US law may offer less protection for copyrighted works than other countries.

Consider, for instance, the recent problems with which US company Viewfinder Inc has been struggling. In 2007 the company (which operates a website that features fashion-related photographs

from fashion shows around the world) attempted to convince the Second Circuit to throw out two copyright infringement judgments issued against it by a French court. Unlike the United States, which does not afford copyright protection to fashion designs, French law does offer such protection and Viewfinder displayed photos from certain French fashion designers' shows without permission. Viewfinder opted not to defend the cases and default judgments were issued.

The plaintiffs in that case are presently seeking to enforce the judgments under the New York Uniform Foreign Money Judgment Recognition Act. Viewfinder initially succeeded in convincing the US District Court for the Southern District of New York to dismiss the plaintiffs' action to enforce the French judgments, but the Second Circuit vacated the decision and remanded the case (see *Louis Feraud Int'l v Viewfinder, Inc*, 489 F 3d 474, 484 (2d Cir 2007)). The Second Circuit held that the district court did not properly analyze whether the French IP laws that gave rise to the foreign judgments provided protection comparable to First Amendment protection. It also made it clear that the mere fact that French law extended protection to works that were not protected under US copyright law (in this case, fashion designs) was irrelevant as to whether the French proceedings were enforceable under New York law.

Accordingly, foreign copyright decisions may be potentially significant to US-based ISPs, search engines and website owners that publish or display the content of others. The issues surrounding Google’s use of thumbnail images under German law are far from settled, but the dispute does pose elevated risks that US law (and court decisions like *Perfect 10*) could lessen to some degree. Those who do business online should not dismiss the potential relevance that international developments like the German *Google Cases* have on their businesses, particularly if the displayed content originates from foreign sources.

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