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# Photographers' Challenge to Copyright "Server Test" Implicates Critical Internet Functions

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On August 28, 2023, two photographers filed a petition for rehearing en banc, urging the Ninth Circuit to reconsider its recent decision in *Hunley v. Instagram*, which held that Instagram could not be held liable for secondary copyright infringement premised on third-party "embedding" of Instagram posts. The ruling reaffirmed the "server test" established in the Ninth Circuit's prior decision, *Perfect 10 v. Amazon*, where the court held that websites are shielded from secondary liability under the Copyright Act if the allegedly infringing content is actually hosted by a third party.

***Background***

The process of embedding content allows site operators to display content on their site or service that is actually stored on a server controlled by a third party. Anyone who uses the Internet likely encounters "embedded" content on a daily basis. Embedded content eliminates the need for a site user to follow a link to an external destination by displaying the referenced content directly on the page. The key distinction between embedded content, compared to content posted by the site operator, is that embedded content is "served" by a third-party site where the content is actually located and hosted.

In 2004, Perfect 10 sued Google and Amazon for direct copyright infringement based on the use of thumbnail images stored on Google's servers and for secondary copyright infringement based on Google's display of full-size versions of the protected images served from various third-party sites. In analyzing the issue of whether Google's use of the full-size images linked to the third-party source

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## Practice Areas

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sites constituted secondary copyright infringement, the district court adopted the server test and dismissed the claim against Google, focusing its inquiry on whether an alleged infringer actually *stores* a copy of the protected image on its servers and provides it directly to a user.

In 2007, the Ninth Circuit affirmed the server test adopted by the district court, holding that if an alleged user is not storing a copy of the infringing content on its servers, it is not subject to secondary liability under the Copyright Act. Accordingly, the Ninth Circuit found that because Google itself was merely linking to the third-party websites where the images in question were displayed and stored on non-Google servers, Google was not violating Perfect 10's display right and could not be found liable for contributory copyright infringement.

Following the decision in *Perfect 10,* the Ninth Circuit has routinely applied the server test when faced with similar claims of Internet-based copyright infringement. No Circuit Courts have disagreed with the Ninth Circuit's server test and district courts in the Second, Third, and Seventh Circuits have recognized the test or applied the same reasoning as *Perfect 10*. Recently, however, several district courts in the Second Circuit have addressed and rejected the server test. In *Hunley*, the Ninth Circuit was faced with the questions over the propriety of the server test.

***Hunley v. Instagram***

The plaintiffs in *Hunley*, two photographers, operate public Instagram accounts and own the copyrights to several of their photographs. Two major news websites published articles that included embedded versions of the photographs that the *Hunley* plaintiffs had posted to Instagram. The *Hunley* plaintiffs then brought a putative class action suit against Instagram in the Northern District of California claiming that the embedding tool, used without the photographers' consent, gave rise to secondary liability under the Copyright Act. The photographers also brought a separate action for direct infringement in the Southern District of New York against the news publishers that embedded their photographs without consent. The New York action was settled after an initial ruling on the defendants' motion to dismiss. In 2022, the California district court dismissed the case against Instagram after applying the reasoning from *Perfect 10*. The plaintiffs subsequently appealed.

Before the Ninth Circuit, the plaintiffs claimed that *Perfect 10*, which was decided three years before Instagram existed and six years before embedding technology was developed, was outdated. Rather than explicitly asking the Ninth Circuit to overturn or narrow the server test, the plaintiffs requested that the court not "expand it beyond its specific factual allegations"—i.e., to limit the server test to search engines.

In response, the Ninth Circuit panel noted that *Perfect 10*'s server test has already been applied beyond the context of search engines. The court declared it is "too late to argue" that *Perfect 10* is limited only to search engines. Applying the server test to *Hunley*, the Ninth Circuit affirmed the district court's dismissal because Instagram "did not store . . . the underlying copyrighted photographs," and therefore, could not be secondarily liable for the resulting display of those embedded images.

Although the Ninth Circuit applied the server test, the court acknowledged that the petitioners offered "serious and well argued" *policy* concerns about the doctrine. In particular, the court recognized that the server test "allows embedders to circumvent the rights of copyright holders," "destroy[ing] the licensing market for photographers." Weighing against the plaintiffs, the court also accepted the policy arguments that embedding contributes to an innovative, open Internet. Given these tensions, the court declined to take a stance on the various policy considerations and deferred those types of decisions to the relevant policy makers.

While the Ninth Circuit panel declined to overrule *Perfect 10*, it highlighted inconsistencies between that decision and the Copyright Act and essentially invited the plaintiffs to challenge the decision en banc, noting that "[i]f Hunley disagrees with our *legal* interpretation—either because our reading of *Perfect 10* is wrong or because *Perfect 10* itself was wrongly decided—Hunley can petition for en banc review to correct our mistakes." The plaintiffs have now taken up the panel on its invitation and filed a petition for rehearing en banc.

In their petition, plaintiffs urge the Ninth Circuit to revisit the server test anew, and at a minimum, in the context of social media because the server test allegedly "deprives copyright-holding users of social media a remedy against secondary actors who assist in the unlawful display of copyright-protected works." In support of their claims, plaintiffs argue that the Ninth Circuit incorrectly focused on the need for a party to physically possess its own copy of the protected work, which they claim is inconsistent with the Copyright Act. The plaintiffs also cite the two recent district court cases from the Southern District of New York that have rejected the server test in the context of embedding.

An en banc hearing, which is relatively rare, would allow the case to be re-heard before a randomly selected eleven-judge panel. While the Ninth Circuit's rules do not automatically allow a response to the petition, the panel *may* order the opposing party to respond to the petition and brief whether the court should rehear the case. If the petition for en banc is denied or decided against the petitioners, the petitioners would then have an opportunity to petition the Supreme Court to review the case.

***Key Takeaways***

For now, the server test remains good law, but a potential en banc ruling from the Ninth Circuit could have wide ranging implications for the entire Internet ecosystem. Any change to the server test could drastically alter whether and how websites reference third-party videos and images.

In addition to organizations that currently rely on the server test to improve website experiences through embedding, companies in the generative AI space will need to be aware of any potential decision. For example, companies developing generative AI tools that utilize third-party images or videos to train their systems need to ensure that they are creating this new technology in a way that does not run afoul of federal copyright law. Finally, if the case were to reach the Supreme Court, the Court may follow its recent trend of moving away from clear-cut rules, like the server test, toward more context-specific rulings in the context of copyright law, which could potentially task lower courts with a more fact intensive inquiry when faced with

technically complex legal questions. At bottom, entities that use third-party material as part of their online business should monitor this case and be prepared to update their copyright compliance strategies once there is more clarity on the future of the server test.

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*Eliza Lafferty, a Wiley 2023 Summer Associate, contributed to this blog post*