

# Newsweek Ruling Offers Copyright Lessons On New Tech

By **Dori Ann Hanswirth, Theresa House and Thomas Magnani**

On March 21, the U.S. District Court for the Southern District of New York issued **a decision** in *McGucken v. Newsweek LLC* about whether Newsweek infringed a photographer's copyright by embedding his Instagram photo in an online news article.

In denying both parties' cross-motions for summary judgment, the federal court rejected the news magazine's server test defense, finding that the publication could still be liable for unauthorized display of the photograph even if it never stored the plaintiff's image on its own computers.

The court further held that neither party was entitled to summary judgment on the issue of whether Newsweek's posting was protected by fair use, nor on whether, by virtue of Instagram's then-extant terms of use, McGucken had given Instagram the right to sublicense his content for use by other Instagram users, such as the defendant.

The decision adds to a growing line of cases that reject the server test, on which online publishers have commonly relied to avoid copyright liability since it was established 15 years ago by the U.S. Court of Appeals for the Ninth Circuit in the 2007 *Perfect 10 Inc. v. Amazon.com Inc.* decision.

The court's decision has implications for online publishers and content creators, from both litigation risk and transactional perspectives.

## Factual Background

In March 2019, fine art photographer Elliot McGucken photographed a rare ephemeral lake during his visit to Death Valley National Park and shared the photo on his public Instagram account. Also in March, Newsweek published an article on its website about the phenomenon of ephemeral lakes in Death Valley. Although McGucken is quoted in the article, the fine art photographer did not, according to court documents, respond to Newsweek's request asking for permission to use his photo.

Newsweek subsequently embedded McGucken's Instagram post of the photo without his permission: meaning that readers could see the entire Instagram post, linking back to McGucken's Instagram, in the body of the article.

After some apparently unsuccessful attempts by his counsel to email Newsweek a cease-and-desist letter, McGucken sued for infringement, alleging unauthorized reproduction and display of his photo.

## How Embedded Linking Differs From Hosting Content

Understanding the debate around embedding content requires some basic knowledge of how embedding differs from its alternative — direct hosting of online content. A website or other internet-based service hosts content stored in files on the organization's servers. So, a webpage containing images hosted by a company will contain HTML code that directs a



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visitor's browser to retrieve the image files directly from the company's server. This is called hosting.

Alternatively, a website may provide a visitor with a link to content that is not hosted on the organization's servers, but is stored on servers owned by someone else. In its simplest form, the link will be visible to the user, the user will click on the link, and the user's browser will open the third-party webpage housing the pertinent content.

Also known as inline linking, embedding allows a website to provide visitors with access to content hosted on third-party webpages and servers without noticeably navigating away to these third-party sources.

This is achieved via HTML code on the primary webpage that directs visitors' browsers to operate in the background to retrieve the content from its third-party location and to embed the content as part of the primary webpage's overall display.

### **Rejecting the Server Test**

In *McGucken*, Newsweek embedded the image rather than host it on its website. For the purposes of copyright infringement, the hosting would indisputably constitute display of McGucken's work. But as to embedding, the server test dictates that a website does not display a copy of a work if it does not communicate the work to viewers from an image file stored on its own servers.

Thus, Newsweek argued that embedding McGucken's Instagram photo did not count as displaying his photo because the photo wasn't stored on Newsweek servers.

Instead, Newsweek claimed that it had merely provided HTML directions to the Instagram post, and that it was Instagram that actually showed the copy of the plaintiff's work, writing in its reply:

The use of embed code, which is not a 'copy' capable of containing a copyrighted work, is not a public display but merely instructions on how to find the content, the same way it would not be a public display to provide someone with directions for how to see an artwork by Marc Chagall on display on the walls of the Metropolitan Museum of Art.[1]

Recognizing that "the server test has not been widely adopted outside of the Ninth Circuit," the McGucken court found that Newsweek did publicly display McGucken's photo. The court noted that the Copyright Act defines "'display' as 'to show a copy of' a work" and "not 'to make and then show a copy of the copyrighted work.'"

The court cited the July 30, 2021, *Nicklen v. Sinclair Broad Group Inc.*[2] decision, also in the Southern District of New York, pointing to the Copyright Act's definition of the display right as to "show a copy of it, either directly or by means of a film, slide, television image, or any other device or process" including processes "now known or later developed." [3]

It also emphasized the legislative history of the Copyright Act, indicating that Congress did not intend to freeze the scope of copyrightable protection to then-existing methods of expression, and that the definition of "display" was intended to encompass any method of transmitting an image from one place to members of the public elsewhere.

In addition, the court characterized the server test as out of touch with the Copyright Act's

purpose, particularly in the context of today's online landscape. It highlighted the practical effect of the server test for artists on the internet:

Under the server test, 'a photographer who promotes his work on Instagram ... 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.[4]

Based on the above, the court concluded that Newsweek did in fact display the plaintiff's photograph when it embedded the Instagram post into its article, and therefore denied Newsweek's motion for summary judgment on that basis.

### **Sending License and Fair Use Defenses to the Jury**

Having agreed with McGucken that Newsweek's use of the embedding feature constituted a display under the Copyright Act, the court then considered arguments that:

- Newsweek should not be liable for infringement because it had been granted a valid license to use McGucken's copyrighted work — not by McGucken, but by Instagram; and
- Newsweek's posting was protected as a fair use.

The court declined both parties' motions on these defenses, finding that issues of fact would allow a reasonable jury to rule in either party's favor on both.

Regarding the licensing defense, according to the court, Instagram's terms of use "unequivocally grant Instagram a license to sublicense Plaintiff's publicly posted content." However, the parties disagreed about whether, by its terms and policies, Instagram also exercised that license — i.e., whether it granted a sublicense to Newsweek to use other users' publicly posted content.

The court cited language in Instagram's platform policy stating that the content Instagram users upload to the platform is "'owned by users and not by Instagram,' and that '[a]ll rights not expressly granted to you are reserved by Instagram.'"

Additional language within the platform policy indicated that users represent and warrant that they have obtained the necessary consents, authorizations and the like to display the content they post. The court concluded that Instagram's multipart terms of use were ambiguous — "muddying the waters as to precisely what a user of Instagram may do with user content on the Platform, and under what circumstances" — and did not answer the question clearly enough to permit summary judgment.

Newsweek further argued that even if Instagram did not expressly grant it a license to use McGucken's work, a license could be implied by factors such as the ease with which Instagram allows users to embed other users' content and the company's public statements. Once again, the court found that a jury would have to make that call.

Notably, after the events giving rise to the McGucken lawsuit, Meta — Instagram's parent — changed its policies to make clear that it grants a license "only to the extent permitted in these Terms," including a requirement that the embedder "obtain (and represent that you own or have secured) all rights necessary from all applicable rights holders to ... display...

content."

Likewise, the Ars Technica website reported in June 2020[5] that Instagram does not grant such a sublicense to users, per an email to the news site from a spokesperson. In McGucken, these revised terms and public statement were "irrelevant to the parties' understanding at the time the relevant conduct occurred," because they happened well after the publication of the Newsweek article.

As for fair use, the court examined each of the fair use defenses and found points in both parties' favor. It acknowledged, for example, the plaintiff's argument that the use of the photograph was not transformative because it was used "primarily as an illustrative aid depicting the subject of the Article," and that "the mere addition of some token commentary is not enough to transform the use of a photograph when that photograph is not itself the focus of the article."

At the same time, the court agreed that in some instances the use of a photograph in an article could be transformative where the central subject of the article was the existence of, and commentary on, the photograph.

The court also gave credence to Newsweek's argument that its use of the Instagram post did not harm the plaintiff's market for his fine art photography because the cropped, lower-resolution version would not serve as a market substitute and because the plaintiff only posted his photograph on Instagram to "share his art and drum up interest in his fine art photography."

The court held that the fair use factors could only be resolved by "fact-intensive balancing," concluding that even though the underlying facts on each side may not be in dispute "the appropriate balance of the considerations is itself a factual question that is not ... appropriately made on summary judgment."

### **Insights and Conclusion**

The fate of the server test has been uncertain since 2018, when the first decision within the Southern District of New York refused to apply it to embedded content in the 2018 Goldman v. Breitbart News Network LLC[6] holding. However, Goldman and other prominent New York cases involving the server test have since settled, making their final outcomes unappealable.

With McGucken continuing to proceed along the path to jury trial, if the case is not resolved, the Second Circuit may have its first opportunity to reject the server test. If it were to do so, this would create a circuit split that could eventually get the attention of the U.S. Supreme Court.

In the meantime, this decision gives online publishers yet another signal to beware of relying on the "server test" to embed content without copyright owners' permission. More broadly, McGucken highlights important nuances in how the law interacts with online platforms' evolving norms and standards around the technology of embedding.

For example, while the McGucken court found Instagram's 2020 statement about sublicensing irrelevant to the parties' understanding in this lawsuit, Instagram's statement could make it harder for future defendants to argue that a license can be implied from Instagram's conduct. Changes in the social network's terms of use may also impact future cases differently.

Additionally, Instagram recently introduced a new feature allowing users to disable the embedding feature for photos they post, adding a new wrinkle to the McGucken's court admonition that the server test forces photographers who post on Instagram to surrender control over how their photos are subsequently shown. Changes like these may give rise to both new legal arguments and practical consequences, which online publishers should consider in tandem as they contemplate potential legal liability.

The court's handling of the fair use defense also causes pause. The application of the multifactor fair use defense is notoriously difficult to parse, with many of the four statutory fair-use factors containing subfactors that can point in different directions. The court's conclusion that the balancing of various factors can itself be an issue of fact may make it more difficult for litigants to resolve the fair use defense before trial.

For transactional attorneys, there are a number of lessons to be learned here. First, a separately negotiated license from McGucken would have avoided the entire dispute.

As U.S. District Judge Katherine Polk Fallia of the Southern District of New York recognized, "Ownership of a valid license to use a copyrighted work is generally a defense to copyright infringement." Given the unpredictability and expense of litigating the fair use defense, it can be preferable to obtain a direct license if one can be readily secured.

If a user of social media content decides to obtain a direct license, it is critical to conduct diligence to ensure that the proper license is being obtained and from the actual rights holder or its authorized representative. In this case, it was undisputed that McGucken held the copyright in the photo, but in many cases ownership is not as clear. Social media users often post content that does not belong to them or that depicts individuals other than the user — indeed, that was exactly what happened in Goldman, where the person who posted the image in question was not the same as the person who owned its copyright.

Therefore, it is prudent to confirm the identity of the owner of the copyright in the image, to verify that appropriate releases have been obtained from any individuals, and to make sure that the owner has not granted any conflicting rights to third parties. It also is important to determine the relevant license parameters to make sure that the license allows for the desired uses of the content.

Finally, for operators of websites, mobile apps, nonfungible token (or NFT) exchanges, and other Web 3.0 businesses, it is paramount to ensure that terms of use, privacy policies, and related terms and conditions use clear and unambiguous language and that all related provisions and documents work together as a seamless whole. Much of the ambiguity in McGucken arose due to differences in the language used in the terms of use vs. the platform policy.

That level of ambiguity is usually not desirable from either the platform operator's or user's perspective. For platforms that are not as established as Instagram, ambiguity of this nature can act as an impediment to widespread adoption.

And for platforms lucky enough to explode in popularity, ambiguity in the governing terms can later wreak havoc on users. This phenomenon is occurring now with various NFT offerings. The terms of many NFTs are unclear as to the extent to which the owners of those NFTs can exercise copyright rights in artwork that may be associated with them.

In sum, McGucken illustrates a common refrain in copyright infringement actions based on

new technology — just because users are able to use the technology to interact with someone else's intellectual property, it does not mean that copyright law will approve of them doing so in all cases.

Until the server test debate is resolved, publishers and users should exercise care in their use of the embedding function, particularly as social media platforms like Instagram continue to update their features and terms.

Furthermore, relying on the fair use defense may be especially risky in light of McGucken's reluctance to resolve fair use at summary judgment unless all fair use factors "clearly favor one party."

To minimize risk, publishers should conduct careful legal review and, where appropriate, consider negotiating a license.

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[1] Order at 11, quoting Newsweek's Reply.

[2] *Nicklen v. Sinclair Broad. Grp., Inc.*, 551 F. Supp. 3d 188, 2021 U.S. Dist. LEXIS 142768, at \*12 (S.D.N.Y. July 30, 2021).

[3] 17 U.S.C. § 101. (A copyright holder has the exclusive right to "transmit or otherwise communicate ... a display of the work ... to the public, by means of any device or process.").

[4] Quoting *Nicklen*, 2021 U.S. Dist. LEXIS 142768, at \*15.

[5] <https://arstechnica.com/tech-policy/2020/06/instagram-just-threw-users-of-its-embedding-api-under-the-bus/>.

[6] *Goldman v. Breitbart News Network LLC*, 302 F. Supp. 3d 585 (S.D.N.Y. 2018).