

No. \_\_\_\_\_

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IN THE  
Supreme Court of the United States

VHT, INC.,  
*Petitioner,*

v.

ZILLOW GROUP, INC., AND ZILLOW, INC.  
*Respondents.*

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On Petition for a Writ of Certiorari to the  
United States Court of Appeals for the Ninth Circuit

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PETITION FOR A WRIT OF CERTIORARI

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Stephen M. Rummage  
*Counsel of Record*  
Max B. Hensley  
Davis Wright Tremaine  
LLP 920 Fifth Avenue  
Suite 3300  
Seattle, WA 98104  
(206) 622-3150  
steverummage@dwt.com

Marcia B. Paul  
Davis Wright Tremaine LL  
1251 Ave. of the Americas  
21st Floor  
New York, NY 10020  
(212) 489-8230

*Counsel for Petitioner VHT, Inc.*

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## QUESTIONS PRESENTED

The owner of a copyright holds the exclusive rights of reproduction, distribution, public display, and adaptation in his or her work. 17 U.S.C. § 106. Where a plaintiff establishes ownership of a work, any other party who violates those exclusive rights in the work has infringed the plaintiff's copyright. 17 U.S.C. § 501(a). This case asks the Court to resolve the following questions, which determine when a party may be held liable for direct infringements:

1. Whether a plaintiff must prove that a defendant engaged in some form of volitional conduct in order to prove direct copyright infringement, as described in Justice Scalia's dissenting opinion in *American Broadcasting Companies v. Aereo, Inc.*, 573 U.S. 431 (2014).

2. If so, whether that requirement is properly understood as (1) identical to common-law proximate causation, as the Ninth Circuit held here and as one member of the panel opined in *BWP Media USA Inc. v. Polyvore, Inc.*, 922 F.3d 42 (2d Cir. 2019), or (2) a less demanding causation standard, as the Third, Fourth, and Fifth Circuits have held, or (3) requiring only an affirmative act with a meaningful connection to the infringement, as suggested by other members of the Second Circuit panel in *Polyvore*.

3. Whether a volitional conduct requirement insulates from liability for direct infringement defendants who create and maintain automated systems for making copies of content not requested by users, as the Ninth Circuit held, in conflict with this Court's decision in *Aereo* and opinions of the D.C. and Second Circuits.

### **PARTIES TO THE PROCEEDING**

The parties named in the caption are the only parties to this proceeding. The petitioner, VHT, Inc., is a for-profit corporation. The respondents are Zillow Group, Inc. and Zillow Inc.

### **RULE 29.6 STATEMENT**

Petitioner VHT, Inc., does not have a parent corporation and no publicly held corporation owns 10% or more of VHT's stock.

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## PETITION FOR A WRIT OF CERTIORARI

Petitioner VHT, Inc., respectfully petitions for a writ of certiorari to review the judgment of the U.S. Court of Appeals for the Ninth Circuit in Nos. 17-35587 and 17-35588.

Since this Court's decision in *American Broadcasting Companies v. Aereo, Inc.*, 573 U.S. 431 (2014), a split has intensified among the circuits as to whether a plaintiff seeking recovery for direct infringement of a copyright must prove the infringement resulted from the defendant's volitional conduct and, if so, what that proof entails. The Ninth Circuit stands alone in defining volitional conduct as proximate causation, a formulation that results in sweeping insulation of internet service providers ("ISPs") from liability for infringements they facilitate on their websites. Further, the Ninth Circuit's reasoning in adopting the proximate cause requirement runs counter to both the plain text of the Copyright Act and this Court's decisions. By contrast, six sister Courts of Appeals have adopted different formulations for direct infringement liability, leading to deepening confusion over the circumstances in which ISPs face direct copyright liability for content on their websites.

These conflicting approaches can be outcome-determinative on matters that should have a uniform federal rule. In fact, the Ninth Circuit's application of a proximate cause requirement to the undisputed facts in this case resulted in a holding directly contrary to a holding by the Second Circuit on materially identical facts handed down just weeks later.

This Court should grant the writ, resolve the split among the circuits, and reverse.

### **OPINIONS BELOW**

The Court of Appeals' opinion, App. 1a-48a, is reported at *VHT, Inc. v. Zillow Group, Inc.*, 918 F.3d 723 (9th Cir. 2019). The District Court's order on the parties' summary judgment and other motions, App. 49a-58a, was not reported. The District Court's order on the parties' post-trial motions, App. 59a-72a, was not reported.

### **JURISDICTION**

The court of appeals entered its judgment on March 15, 2019. This Court has jurisdiction under 28 U.S.C. § 1254(1).

### **STATUTORY PROVISIONS INVOLVED**

The Copyright Act provides, in relevant part:

[T]he owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies ...;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies ... of the copyrighted work to the public ...;

....

(5) in the case of ... pictorial ... works, ...  
to display the copyrighted work  
publicly; ...

....

17 U.S.C. § 106. The Copyright Act also provides, in relevant part, as follows:

Anyone who violates any of the exclusive rights of the copyright owner as provided by section[] 106 ... is an infringer of the copyright ....

17 U.S.C. § 501(a).

## STATEMENT OF THE CASE

### A. Statutory Framework

The Copyright Act of 1976 gives copyright owners the exclusive right to reproduce, adapt, distribute, and publicly display their works. 17 U.S.C. § 106. “Anyone who violates any of the exclusive rights of the copyright owner ... is an infringer of the copyright[.]” 17 U.S.C. § 501(a). This Court has recognized that a party is liable for direct copyright infringement “when an actor personally engages in infringing conduct.” *Am. Broad. Cos. v. Aereo*, 573 U.S. at 452.

### B. Factual Background

Petitioner VHT is the largest professional real estate photography studio in the country. App. 5a. Real estate brokers, listing services, and agents hire VHT and its trained network of photographers to capture high-quality photographs of properties listed for sale or rent. *Id.* The photographers send the

images to VHT's central office, where VHT selects a set for delivery (often after enhancing them in its studio) and then transmits them to the hiring broker, listing service, or agent. *Id.* VHT retains ownership of the copyrights in these photographs, although it grants limited licenses to its clients for the use of the photographs solely in the sale or marketing of the properties they depict. *Id.*

Respondents Zillow Group, Inc., and Zillow, Inc. (collectively, "Zillow"), operate the leading online real estate sales and rental marketplace in the country. *Id.* Zillow allows users to browse property listings in its online database where they can check property values, research rental and sales listings, and view property photographs. *Id.* Two separate elements of Zillow's diversified business are at issue here: the Listing Platform and Digs.<sup>1</sup> The Listing Platform contains information and photographs of properties, some of which are for sale or rent, others of which are not. *Id.* Digs was a separate set of websites linked to the main Listing Platform which used exceptional photographs, selected from the Listing Platform by both automated and human review and from other sources, to enable Zillow to market home improvement and remodeling services and supplies. *Id.*

Zillow receives the photographs it displays on its Listing Platform primarily through feeds from real estate agents, brokers, and Multiple Listing Services (collectively, "feed providers"). App 5a. Zillow contracts with each feed provider for the use of the images and information on these feeds. App. 10a. Zillow makes fourteen copies of each photo it receives

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<sup>1</sup> Digs is no longer an operational website.

from feed providers. In many cases, however, none of the copies of a photo are ever displayed on the Listing Platform.

Some feed providers purport to grant Zillow the right to continue displaying photographs after the property they depict is no longer on the market (“evergreen rights”); others do not. Zillow designed its automated system so that when it stops displaying photos for which it lacks evergreen rights, the system searches other copies of that same photograph in Zillow’s possession, seeking one received from a feed that purports to permit post-sale display. If it finds a copy purporting to have evergreen rights, it then publicly displays that copy. App. 12a; App. 55a-57a.

Zillow launched Digs several years after it launched its Listing Platform. It added photographs to Digs using three primary methods. First, Zillow’s human moderators chose sets of images from the Listing Platform for display on Digs. App. 65a-69a. Second, Zillow encouraged users of the Listing Platform to add images from that site to Digs. *Id.* Third, when a Listing Platform user selected an image and began to add it to Digs but failed to complete that process, Zillow nonetheless added it to Digs. *Id.* Users could also upload images to Digs from outside of the Listing Platform. *Id.* Zillow placed every “evergreen” image on Digs in a moderation queue. *Id.* Zillow’s moderators—first human, and then automated—added tags to the highest-quality images to describe their contents (including the design style, estimated cost, and the identity of certain products shown) and made those images searchable. *Id.*

Zillow programmed its system so that every time an image was added to Digs—regardless of whether

Zillow or a user selected the image, regardless of whether Zillow tagged that image for search, and regardless of whether Zillow purported to have evergreen rights in that image—it created sixteen copies of that photograph, some of which have no connection to any use known to or intended by the user, and some of which were altered to fit Zillow’s own intended uses. App. 66a.

### **C. Proceedings Below**

VHT filed its complaint for copyright infringement against Zillow in the United States District Court for the Western District of Washington on July 9, 2015. The district court had jurisdiction under 28 U.S.C. § 1331. By the close of discovery, VHT alleged that Zillow directly infringed (a) 54,257 VHT images by displaying them on its Listing Site after the property they depict was no longer on the market, (b) 28,124 images by reproducing, altering, and displaying them on Digs, and (c) one image by distributing it on a blog post. App. 10a; App. 15a. VHT argued that Zillow had treated these images as if it had evergreen rights when, in fact, VHT had granted only a limited license.

Zillow moved for summary judgment on direct infringement, arguing the infringements did not result from its volitional conduct. The district court granted that motion in part and denied it in part. It dismissed the direct infringement claims relating to the use of VHT’s copyrighted photographs on the Listing Platform, finding no volitional conduct. App. 54a-56a. But the district court denied Zillow’s similar motion with respect to direct infringements on Digs, finding sufficient evidence to send the issue of volitional conduct to the jury for claims relating to the Digs platform. App. 56a-58a.

After trial, the jury rendered a unanimous verdict for VHT on each of the 28,124 VHT photographs on Digs, plus the one photograph Zillow distributed in a blog post. The jury found that Zillow had infringed VHT's display, reproduction, and adaptation rights, both directly and secondarily; rejected Zillow's implied license defense; rejected Zillow's fair use defense; found that each photograph had independent economic value; and found that Zillow's conduct was willful with respect to 3,373 photographs and innocent with respect to the remainder. VHT elected statutory damages for eligible photographs and actual damages for the remainder, for a total award of \$8.27 million.

The district court largely rejected the jury's verdict. In a decision and order dated June 20, 2017, it granted in part and denied in part Zillow's motions for judgment as a matter of law and/or a new trial. App. 59a-60a. It granted Zillow judgment on 24,402 photographs, reversing the jury's factual determination that these photographs had been displayed on Digs and that Zillow was the cause of direct infringement of their copyrights. App. 61a-71a. The district court further rejected the jury's verdict on VHT's secondary liability claims as to all but 114 photographs, but accepted the jury's determinations that Zillow's actions did not constitute fair use and that Zillow's infringements were willful as to the searchable photographs.

Both parties timely appealed to the Ninth Circuit. A panel of that court (1) affirmed the district court's ruling that Zillow did not directly infringe the Listing Platform photos, App. 14a; (2) affirmed the district court's ruling that Zillow did not directly infringe as to the non-searchable Digs photos, App. 22a; (3) affirmed

the district court's ruling that Zillow's actions to make Digs photos searchable did not constitute fair use, App. 35a; (4) affirmed the district court's ruling that Zillow did not secondarily infringe as to the Digs photos, App. 40a-41a; (5) remanded the case for further proceedings as to whether the remaining photographs in dispute were a single work for statutory damages purposes as a compilation, App. 43a; and (6) reversed the district court's ruling, and vacated the jury's finding, that Zillow willfully infringed with respect to the searchable photographs, App. 47a.

In holding that Zillow did not engage in "volitional conduct" sufficient to make it liable for direct infringement as to either the Listing Platform or the non-searchable Digs photographs, the Ninth Circuit followed its decision in *Perfect 10, Inc. v. Giganews, Inc.*, 847 F.3d 657 (9th Cir.), *cert denied*, 138 S. Ct. 504 (2017). Relying on *Giganews*, the Ninth Circuit found that a defendant could be liable for direct infringement only if the infringement resulted from its "volitional conduct." The court described the requirement as "simply stand[ing] for the unremarkable proposition that proximate causation historically underlines copyright infringement liability no less than other torts.' Stated differently, '*direct* liability must be premised on conduct that can reasonably be described as the *direct cause* of the infringement.'" App. 8a (quoting *Giganews*, 847 F.3d at 666). The court concluded that Zillow's conduct was not "volitional" even though Zillow designed its automated system to reproduce multiple copies of each image and alter some images for each of the Listing Platform and for Digs. According to the court, the conduct was "based on *user* actions," even though Zillow's creation and



alteration of multiple copies was for Zillow’s own purposes and not requested by any user. App. 21a (Digs); App. 12a (Listing Platform).

The Ninth Circuit remanded the matter to the district court to establish the number of statutory damage awards VHT may recover for the 3,921 copyrighted VHT images for which the Ninth Circuit affirmed Zillow’s direct liability, and to determine the amount of the damage award. App. 41a-47a.

## **REASONS FOR GRANTING THE WRIT**

### **I. The Ninth Circuit’s Ruling Has Entrenched a Circuit Split.**

The Ninth Circuit stands alone in holding that a copyright holder seeking to prove direct infringement must show the infringer’s conduct to be the proximate cause of the infringement. According to the Ninth Circuit, a plaintiff pursuing a direct infringement claim must prove not only ownership and copying—the traditional elements of a copyright claim—but “must also establish causation, which is commonly referred to as the ‘volitional-conduct requirement.’” App. 8a. “[I]n this context,” the Ninth Circuit’s requirement is equal to “proximate causation.” *Id.* (quoting *Giganews*, 847 F.3d at 666).

As explained below, the Ninth Circuit’s interpretation of the volitional conduct requirement conflicts with holdings from the District of Columbia, First, Second, Third, Fourth, and Fifth Circuits—all of which have considered this issue and reached different (and largely irreconcilable) conclusions. The variations among the circuits have the pernicious effect of making the outcome of direct infringement claims under the Copyright Act depend on the circuit

in which they are brought. Indeed, just weeks after the Ninth Circuit released its opinion in this case, the Second Circuit reached the opposite result on facts virtually indistinguishable from the facts here.

**A. The Third, Fourth, and Fifth Circuits Reject Proximate Cause Analysis in Favor of a Lesser Causation Standard.**

To provide context, we briefly review the development of the law of direct infringement as applied to website operators. Courts have long recognized that copyright infringement is a strict liability tort. *See, e.g., Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 308 (2d Cir. 1963). Since the dawn of the Internet age, however, courts have struggled with that principle when confronting infringements resulting from user posts to purely passive ISPs. In an oft-cited decision, *Religious Technology Center v. Netcom On-Line Communication Services Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995), the district court read into the Copyright Act an implicit requirement that an ISP could be liable for direct infringement *only* if it took some affirmative, volitional step to infringe. *Netcom*, 907 F. Supp. at 1370. According to that court, a defendant can be liable for direct infringement only on a showing of either “volition *or* causation.” *Id.* (emphasis added).<sup>2</sup>

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<sup>2</sup> *See also Sega Enters. Ltd. v. MAPHIA*, 948 F. Supp. 923, 932 (N.D. Cal. 1996) (operator of online bulletin board not liable for direct copyright infringement because plaintiff did not show he “directly caused the copying”); *Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503, 513 (N.D. Ohio 1997) (encouraging upload and screening posts “transform[ed]”

In response to these efforts to cabin liability for an ISP's purely passive hosting conduct, Congress in 1998 enacted the Digital Millennium Copyright Act, 17 U.S.C. § 501 *et seq.* ("DMCA"). The DMCA implicitly recognized that the Copyright Act did not require a plaintiff suing for infringement to prove anything more than ownership and copying—the traditional touchstones of an infringement claim—to prevail against an ISP for user posts. *See Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991) ("To establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original."). But the DMCA provided safe harbors protecting ISPs from liability if they satisfied certain statutory requirements. 17 U.S.C. § 512. Through the DMCA, Congress thus largely redressed the inequity of applying strict liability to purely passive ISPs.

After passage of the DMCA, courts considered whether the statute had fully addressed the problem identified in *Netcom*—or if volitional conduct remained relevant in assessing an ISP's liability. In *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544 (4th Cir. 2004), the Fourth Circuit found that volitional conduct still had a place in infringement analysis, despite the DMCA's passage. In *CoStar*, the Fourth Circuit held that defendant, a subscription-based commercial real estate website, did not infringe plaintiff's copyrights in photographs because it was a purely passive actor. Brokers uploaded photographs of properties to the LoopNet's site, which were then

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Defendants from passive providers of a space in which infringing activities happened to occur to active participants in the process of copyright infringement").

“cursorily” reviewed by LoopNet employees, and then its system tagged each photo to associate it with the web page for the property depicted. The Fourth Circuit found liability could attach only if the plaintiff showed “some aspect of volition and meaningful causation.” 373 F.3d at 550. But the Court did not define that element as “proximate causation.” Rather, it concluded that volitional conduct means only that the infringer must have caused “in some meaningful way” an infringement, requiring a plaintiff to show “actual infringing conduct with a nexus sufficiently close and causal to the illegal copying that one could conclude that the machine owner himself trespassed on the exclusive domain of the copyright owner.” *Id.*

Other courts continue to follow *CoStar*’s lead. The Third Circuit in *Leonard v. Stemtech International Inc.*, 834 F.3d 376 (3rd Cir. 2016), *cert. denied*, 138 S. Ct. 975 (2018), for example, held that to establish direct copyright infringement, a plaintiff must show that the defendant “engaged in volitional conduct,” which it defined *not* as proximate causation but, instead, as *CoStar* defined it: “Volitional conduct occurs when a party engages in ‘the act constituting infringement.’” *Id.* at 386-87 (quoting *CoStar*, 373 F.3d at 551).<sup>3</sup> And the Fifth Circuit likewise followed *CoStar* in *BWP Media USA, Inc. v. T & S Software Associates*, 852 F.3d 436 (5th Cir.), *cert. denied*, 138 S. Ct. 236 (2017). That court acknowledged the Ninth

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<sup>3</sup> Another panel of that court had previously reached the same conclusion, with similarly limited analysis, in an unpublished decision. *Parker v. Google*, 242 F. App’x 833, 836 (3d Cir. 2007) (affirming determination that plaintiff “failed to allege any volitional conduct on the part of Google in archiving USENET posts”).

Circuit's proximate cause test as stated in *Giganews*. *Id.* at 440 n.1. But in deciding the case, the Fifth Circuit followed *CoStar*, holding that the ISP defendant in that case escaped liability because “[i]t cannot be said that [the ISP’s] conduct ‘cause[d] in some meaningful way an infringement.’” *Id.* at 442 (quoting *CoStar*, 373 F.3d at 549).

In short, the Third, Fourth, and Fifth Circuits do not make liability for direct infringement depend on a showing of proximate causation. Instead, these Courts simply ask whether the defendant did something more than merely “host[] the forum on which infringing content was posted.” *T & S Software*, 852 F.3d at 442. This standard differs significantly from the Ninth Circuit’s proximate causation approach and would have produced a different result here. Here, the court of appeals required VHT to show more than that Zillow merely engaged in “the act constituting infringement.” *Leonard*, 834 F.3d at 387 (quoting *CoStar*, 373 F.3d at 551). Rather, while acknowledging that Zillow copied and altered images for its own purposes, App. 21a-22a, the court concluded that “[a]ny volitional conduct with respect to these photos was taken by the users, not Zillow,” App. 21a.

**B. The First and District of Columbia Circuits Apply Traditional Copyright Analysis to Determine the Scope of Direct Liability**

Aside from the confusion associated with the definition of volitional conduct, two Circuits have considered and declined to adopt a volitional conduct requirement for direct copyright infringement.

In *Society of Holy Transfiguration Monastery, Inc. v. Gregory*, 689 F.3d 29 (1st Cir. 2012), the defendant admitted the plaintiff's copyrighted works were available on his website but argued he was not liable because "he himself did not volitionally copy or post" them, relying on *CoStar*. *Id.* at 54. The First Circuit rejected this proposition. According to that Court, "because the [defendant] held authority and control over the Website, and ... knew of and assented to [his agent's] postings of" the copyrighted works, he could be held liable "regardless of whether the law mandates a showing of volitional conduct to establish direct infringement." *Id.* at 56-57. It was enough that the defendant "engaged in sufficient acts of authority and control over the server and material actually posted" to warrant liability for direct infringement. *Id.* at 57.

The First Circuit's approach embodies the classic approach to direct infringement liability, which asks only whether the defendant committed some act of infringement. As the Second Circuit explained nearly a century ago: "It is established that the one who prints an infringing work is an infringer. So is the publisher. As likewise is the vendor." *Am. Code Co. v. Bensinger*, 282 F. 829, 834 (2d Cir. 1922) (citations omitted). Until the Internet age, this doctrine was sufficiently uncontroversial to pass without explicit discussion. Compare *Princeton Univ. Press v. Mich. Doc. Servs., Inc.*, 99 F.3d 1381, 1384 (6th Cir. 1996) (direct liability for copy shop which reproduced materials selected by university professors); *Columbia Pictures Indus., Inc. v. Redd Horne, Inc.*, 749 F.2d 154, 157 (3d Cir. 1984) (direct liability for video store that displayed movies selected by its patrons). In this case, Zillow had authority and control over the servers at issue, and determined what material could be posted

to both its Listing Site and Digs. Zillow would be liable under the First Circuit standard applied in *Gregory*.

Similarly, the District of Columbia Circuit in *Spanski Enterprises, Inc. v. Telewizja Polska, S.A.*, 883 F.3d 904 (D.C. Cir. 2018), considered a direct infringement claim against a Polish video-on-demand service that failed to geoblock its internet broadcasts of copyrighted television episodes to prevent display beyond the geographic scope of its license. The broadcaster sought to absolve itself by arguing that volitional conduct is a necessary precondition for direct liability, and that a website owner which “operates an automatic content delivery system” by which “the user ... selects the content it will view or receive and actuates the delivery system, and the user request is not processed by [the website owner’s] employees” did not engage in volitional conduct. *Id.* at 910 (second alteration in original). The Court rejected that argument, holding that it “cannot be squared with the text of the Copyright Act.” *Id.* “Nowhere does the Act state that a work so shown is performed only if a third-party end user plays no role in the showing.” *Id.*

*Spanski* considered both the *CoStar* line of cases, *id.* at 912 (quoting *CoStar*, 373 F.3d at 555 and *T & S Software*, 852 F.3d at 439), and the Ninth Circuit’s proximate cause analysis, *id.* (quoting *Giganews*, 847 F.3d at 668), and declined to follow either path. Instead, it concluded that, while it “has yet to decide whether to read ... a volitional conduct or proximate cause requirement into the Copyright Act,” the act of operating equipment to allow the distribution of copyrighted television programs “constitutes infringement under *Aereo*’s binding authority,

whatever the scope of any such [volitional conduct] requirement might otherwise be.” *Id.* at 912.

Zillow would face certain liability under this rule. The Ninth Circuit found Zillow insulated from direct liability because it provides users with “an Internet-based facility on which to post materials, but the materials posted are of a type and kind selected by the user and at a time initiated by the user.” App. 22a (internal quotation marks and alterations omitted). But, like the broadcaster in *Spanski*, Zillow operated the equipment and designed the system that made the infringement possible. Under the D.C. Circuit’s analysis in *Spanski*, VHT’s claims for infringement on both the Listing Site and Digs would have survived.

**C. The Second Circuit Has Manifested Confusion Over Volitional Conduct, Even While Finding Direct Liability in Circumstances Materially Identical to the Facts Here.**

Nothing more clearly manifests the disarray in the circuits on this recurring federal issue than the Second Circuit’s three opinions in *BWP Media USA Inc. v. Polyvore, Inc.*, 922 F.3d 42 (2d Cir. 2019). In *Polyvore*, the Second Circuit issued a brief *per curiam* opinion reversing a grant of summary judgment in favor of an ISP for lack of volitional conduct, finding an issue of material fact as to whether the defendant made multiple copies of the disputed photographs for its own purposes. 922 F.3d at 44. But the three judges on the panel then each wrote separately to explain their views on the meaning of volitional conduct. Each judge’s analysis departs from the Ninth Circuit’s proximate cause formulation—and would lead to a different outcome in this case.



The judges in *Polyvore* wrote against the backdrop of binding Second Circuit decisions adopting a volitional conduct standard. See *EMI Christian Music Grp., Inc. v. MP3tunes, LLC*, 844 F.3d 79, 96 (2d Cir. 2016), *cert. denied sub. nom. Robertson v. EMI Christian Music Grp., Inc.*, 137 S. Ct. 2269 (2017); *WNET, Thirteen v. Aereo, Inc.*, 712 F.3d 676 (2d Cir. 2013), *rev'd sub nom. Aereo*, 573 U.S. 431; *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 131 (2d Cir. 2008). In the earliest of these cases, *Cartoon Network*, the Second Circuit held that “volitional conduct is an important element of direct liability,” but limited its decision to the facts of that case: “We need not decide today whether one’s contribution to the creation of an infringing copy may be so great that it warrants holding that party directly liable for the infringement, even though another party has actually made the copy.” 536 F.3d at 131, 133. Eight years later, in *EMI*, the court found that a defendant who operated a system designed to retrieve cover art when a user uploaded a song engaged in volitional conduct. 844 F.3d at 96. The court rejected the argument that because the program automatically retrieved the cover art “at the direction of the user when the user selected a song,” the defendant did not engage in any volitional acts which caused the copying. According to the court: “[T]he system retrieved a copyrighted item that a user did not request, frequently without the user’s knowledge of the copyrighted nature of the item. [That] constituted enough evidence, in our view, that copying of the cover art was directed by” the defendant. *Id.*

But *Polyvore* shows that, even assuming the existence of a volitional conduct requirement, the courts desperately need guidance from this Court as to

what it entails. Each of three concurring opinions in *Polyvore* assumes a volitional conduct requirement, but argues in favor of a different standard for establishing it. Judge Walker argued that “volition is *choosing* to engage in an act that causes infringement,” noting that “although a volition analysis may under certain circumstances require an explicit causation analysis ... volition is not the same thing as causation.” 922 F.3d at 52 (citation & internal quotation marks omitted). As Judge Walker explained, “volition has textual underpinnings in the Copyright Act, whereas proximate causation does not.” *Id.* at 53. But Judge Newman concluded that volition “is best understood to mean a concept essentially reflecting tort law causation” and that requires a “tort law ‘proximate cause’” analysis. *Id.* at 62. Finally, Judge Pooler concluded that regardless of whether volitional conduct is characterized as causation, the controlling question is whether a defendant is “sufficiently tied to the act of copying”. *Id.* at 69. At the same time, Judge Pooler declined to “conceptualiz[e] volitional conduct in such a way that an ISP does not act volitionally when it automatically makes one, but not more than one, unrequested copy in response to a user’s request[.]” *Id.*

Even accounting for the three different opinions, the result in *Polyvore* shows how far the Ninth Circuit’s test has strayed from the law elsewhere. The defendant in that case, Polyvore, operated a website to which users uploaded photographs, including certain of plaintiff’s celebrity photographs. *Id.* at 45 (Walker, J., concurring). Like Zillow, Polyvore had in place “a series of automatic technical processes” triggered by user input. *Id.* Like Zillow, Polyvore designed its automated system to copy each image *multiple* times

regardless of user input. *Id.* at 51. But unlike *Zillow*, *Polyvore* did not prevail. The Second Circuit reversed, finding a disputed issue of material fact as to whether the defendant “created multiple copies of [plaintiff’s] photos that were not requested by *Polyvore* users.” *Id.* at 44; *id.* at 50-51 (Walker, J.) (“ISPs that provide additional unrequested copies of copyrighted material in response to a user’s request for a single copy, however, may be liable for direct infringement.”); *id.* at 65 (Newman, J.) (volitional conduct requirement does not “preclude infringement liability for all developers or operators of systems that automatically make copies upon an individual’s command”); *id.* at 69 (Pooler, J.) (number of copies made is irrelevant to volitional conduct). Thus, within a few weeks of the Ninth Circuit’s decision below, the Second Circuit reached precisely the opposite result on substantially similar facts under three different analyses, all of which are inconsistent with the Ninth Circuit’s proximate cause test.

Given the treatment of volitional conduct across the nation, the three opinions in *Polyvore* cannot be chalked up to a mere intra-circuit division of opinion. Rather, they reflect the federal judiciary’s struggle to adapt the Copyright Act to the Internet age—a struggle compounded by the ambiguity inherent in Judge Scalia’s articulation of the volitional conduct standard in the context of his dissent. *Aereo*, 573 U.S. at 454. Only this Court can resolve these issues, which daily become more urgent.

## **II. The Ninth Circuit’s Ruling Cannot Be Reconciled with This Court’s Precedent.**

The Ninth Circuit succinctly stated its reasoning for concluding that the volitional conduct doctrine bars

liability for Zillow’s reproduction and alteration of VHT’s works on Digs as follows:

Unlike photos that Zillow curated, selected, and tagged for searchable functionality—activities that amount to volitional conduct establishing direct liability—these ... photos were copied ... based on *user* actions, not the conduct of Zillow or its moderators. [¶] Any volitional conduct with respect to these photos was taken by the users, not Zillow. Users, not Zillow, “selecte[d]” images to add to their personal boards and “instigate[d]” the automatic caching process by saving a particular image.

App. 21a (citation omitted); *see also* App. 12a (on the Listing Platform, rejecting direct liability for displays where “the content of the Listing Platform is populated with data submitted by third-party sources” [feed providers rather than users of the site] which provided the information on which Zillow relied to justify its continued display after the properties’ sale). This conclusion—that automated systems cannot be liable for direct infringement where users initiate their operation—runs afoul of this Court’s precedent, which has never endorsed a volitional conduct requirement, let alone a volitional conduct requirement that places liability for direct infringement *exclusively* on the user, as the Ninth Circuit has done.

In *Aereo*, this Court found a fully automated and user-activated subscription service allowing users to view copyrighted television broadcasts liable for direct infringement of the performance right. *See* 573 U.S.

at 436. In so doing, this Court explicitly recognized what the Ninth Circuit did not: An automated service *and* its user can both engage in directly infringing conduct. *Id.* at 441. The *Aereo* Court held that “a user’s involvement in the operation of the provider’s equipment and selection of the content transmitted may well bear on whether the provider performs within the meaning of the Act.” *Id.* at 444; *see also Spanski*, 883 F.3d at 910-11 (recognizing that *Aereo* held that an “intermediary ... publicly performs even where its conduct consists only of capturing and retransmitting a broadcast ‘in automatic response’ to an end user’s request” (quoting *Aereo*, 573 U.S. at 443)). In contrast, the Ninth Circuit’s rule transforms the user into a break in the causal chain, so an ISP escapes direct infringer liability if a user plays an active role in conduct comprising an infringement—making only the *user* liable for direct infringement.

We need not guess whether this result runs afoul of this Court’s jurisprudence: Justice Scalia made the same argument in his *Aereo* dissent, and the majority rejected it. To Justice Scalia, the *Aereo* subscription service was akin to a passive “copy shop” that rents copiers on a per-use basis and cannot be liable for the reproduction of infringing content:

The key point is that subscribers call all the shots: *Aereo*’s automated system does not relay any program, copyrighted or not, until a subscriber selects the program and tells *Aereo* to relay it. *Aereo*’s operation of that system is a volitional act and a but-for cause of the resulting performances, but, as in the case of the copy shop, that degree of

involvement is not enough for direct liability.

573 U.S. at 456. The majority, however, rejected Justice Scalia's approach and recognized that the fact that a user triggered an automated system was not enough to insulate the operator (and designer) of that system from liability. *Id.* at 444. The result below allows Zillow to hide behind the same technological curtain that the *Aereo* majority rightly pulled back.

Nor is *Aereo* the only time this Court has rejected efforts to shield automated systems from liability for direct infringement on the ground that user input triggers the infringement. In *New York Times Co. v. Tasini*, 533 U.S. 483 (2001), the dissent argued that “[i]t is up to the user in each instance to decide whether to employ” the online LEXIS/NEXIS database of copyrighted news articles “in a manner that infringes either the publisher’s or the author’s copyright,” and where the user opts to use the system to view and distribute copyrighted materials, “such infringing third-party behavior should not be attributed to the database.” *Id.* at 518 (Stevens, J., dissenting). The majority disagreed and assigned liability to defendants for direct infringement—even though users, not the service, initiated the infringement. *Id.* at 506.

The reasoning in both *Aereo* and *Tasini* cannot be squared with the Ninth Circuit’s holding.

### **III. The Ninth Circuit’s Rule Is Wrong As a Matter of Statutory Construction and as a Matter of Policy.**

By applying and extending the holding in *Giganews* in this case, the Ninth Circuit has doubled

down on an untenable position that insulates broad swaths of otherwise infringing online activity, so long as the operator chooses to automate that activity. In addition to being irreconcilable with this Court's precedent, it is wrong as a matter of statutory construction and policy.

To begin, a volitional conduct requirement for direct infringement—regardless of which version of the requirement applies—has no basis in the Copyright Act itself. *Spanski*, 883 F.3d at 910. Such a requirement makes even less sense when considered in the context of the DMCA, which amended the Copyright Act to provide safe harbors for enumerated categories of automated conduct. 17 U.S.C. § 512.

The DMCA's inclusion of safe harbors to avoid liability necessarily implies congressional recognition that automated behavior is *not* immune from direct infringement claims, as the Ninth Circuit's analysis would suggest. Indeed, if the Ninth Circuit were correct that automated caching processes triggered by an initial user's input cannot constitute volitional conduct (as it found both here and in *Giganews*), then the DMCA safe harbor regime need not exist at all, as there would be no need to enact such protections. Interpreting the Copyright Act as the Ninth Circuit did below thus violates the fundamental precept of statutory construction that "[w]hen Congress acts to amend a statute, we presume it intends its amendment to have real and substantial effect." *Stone v. I.N.S.*, 514 U.S. 386, 397 (1995). In addition, the Ninth Circuit's proximate cause test protects *more* online activity than the statute, and thus upsets the DMCA's carefully calibrated "complex ... compromise" between copyright owners and internet service

providers.<sup>4</sup> *Capitol Records LLC v. Vimeo, LLC*, 826 F.3d 78, 82 (2d Cir. 2016).

Second, the Ninth Circuit’s volitional conduct formulation is untethered from this Court’s guidance, basic legal principles, and common sense. This Court has never endorsed any version of the volitional conduct requirement. Indeed, Justice Scalia’s dissent in *Aereo* (cited by the Ninth Circuit) presciently predicted that a volitional conduct requirement would prevent direct liability for “automated, user-controlled system[s].” 573 U.S. at 454. The majority, however, declined to adopt Justice Scalia’s approach precisely because it “makes too much out of too little.” *Id.* at 443. Indeed, application of Justice Scalia’s copy shop analogy to the present case illustrates just how far afield Zillow’s conduct really is. Justice Scalia wrote of a copy shop where “*the customer* chooses the content and activates the copying function; the photocopier does nothing except in response to the customer’s commands.” *Id.* at 455. But here, instead of a user coming to Zillow with her own handful of printed materials and making exactly the number and manner of copies she elects, Zillow makes *multiple* copies of all of the photographs it receives from feed providers; decides which of those photos to make available for display to users; invites users to select certain of those photos for Digs; and then makes—through an automated system it designed and operated—additional copies of each of them, altered in some cases to meet Zillow’s needs, totally independent of the user’s wishes or needs.

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<sup>4</sup> Notably, Zillow did not assert that it was entitled to a DMCA defense either at trial or on appeal.



The Ninth Circuit's holding virtually immunizes *all* similar online industries from direct infringement liability, including websites containing video, photo, and audio content. ISPs in the Ninth Circuit (where the technology industry is concentrated) could completely shield themselves from copyright liability simply by implementing automated systems to reproduce, alter, or display infringing content in any way the ISP wants and for whatever purpose, as long as the ISP designs the system so that users trigger it. Allowing such free rein to website operators would devastate the business models of parties—like Petitioner VHT—who create and license high-quality copyrighted content, because it would deprive them of royalties and licensing fees for virtually all online use.

It would simultaneously and perversely create an artificial distinction between websites that elect to use human reviewers rather than designing a sophisticated automated system to process user content. Websites using human reviewers could be subject to direct liability for user posts absent a DMCA safe harbor; those who automate would not. To the extent cost concerns drive the decision not to automate, this would disfavor small competitors and favor larger automated systems—already a growing concern. *See, e.g., Google, Facebook, Apple, Amazon face U.S. anti-trust probe*, BBC News, <https://www.bbc.com/news/technology-48513328> (last visited June 12, 2019). The Ninth Circuit's imposition of a proximate cause standard thus threatens to sacrifice both content creators and legitimate Internet competition, in favor of large, automated ISPs.

#### IV. The Question Presented Is Recurring and Important.

This Court denied a petition for writ of certiorari seeking review of the Ninth Circuit’s proximate cause analysis in *Perfect 10, Inc. v. Giganews*, 138 S. Ct. 504 (2017). But since that denial eighteen months ago, three Circuits have reached three different conclusions about the existence and scope of the volitional conduct doctrine. In *Spanski*, the District of Columbia Circuit declined to recognize the doctrine and implicitly rejected the notion that, even if it exists, it would immunize automated online infringements. 883 F.3d at 910-13. In its opinion here, the Ninth Circuit in effect expanded the reach of its more demanding proximate causation standard to insulate automated conduct. App. 7a-16a. And finally, in *Polyvore*, a single panel of the Second Circuit offered three different interpretations of volitional conduct, agreeing only that automated infringements which go beyond the scope of user requests (like the infringements here) cannot be protected from direct infringement liability. 922 F.3d at 44.

Given the absence of firm direction from this Court, this proliferation of views is predictable—and likely to continue. More than a decade ago, this Court recognized that the “probable scope of copyright infringement” on peer-to-peer networks is “staggering.” *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 923 (2005). Since then, the reach of the internet and the sophistication of online providers has mushroomed, making online infringement an ever-growing problem. Finding the right standard for volitional conduct (or determining that no volitional conduct requirement exists) will be

outcome-determinative in a growing number of copyright cases involving automated systems, ranging from websites like those run by Zillow, T&S Software, and Polyvore, to content-delivery systems like those in *Spanski* and *Aereo*.

Because the internet is globally accessible, users and website operators can infringe copyrighted material in an instant in nearly every jurisdiction. But whether that infringement can be redressed under federal copyright law now depends, in a real sense, on the forum in which it brings suit. Only this Court can bring uniformity to this crucial question of federal law.

### CONCLUSION

The Court should grant the petition for a writ of certiorari.

Respectfully submitted,

Stephen M. Rummage

*Counsel of Record*

Max B. Hensley

Davis Wright Tremaine LLP

920 Fifth Avenue

Suite 3300

Seattle, WA 98104

(206) 622-3150

steверummage@dwt.com

Marcia B. Paul

Davis Wright Tremaine LLP

1251 Ave. of the Americas

21st Floor

New York, NY 10020

(212) 489-8230

*Counsel for Petitioner VHT, Inc.*

## **APPENDIX**

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**APPENDIX A**  
FOR PUBLICATION  
UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

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Nos. 17-35587, 17-35588  
D.C. No. 2:15-cv-01096-JLR

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VHT, Inc., a Delaware corporation,  
*Plaintiff-Appellee/Cross-Appellant*

v.

ZILLOW GROUP, Inc., a Washington corporation;  
ZILLOW, Inc., a Washington corporation,  
*Defendants-Appellants/Cross-Appellees.*

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Appeal from the United States District Court for  
the Western District of Washington  
James L. Robart, Senior District Judge, Presiding

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Argued and Submitted August 28, 2018  
Seattle, Washington  
Filed March 15, 2019

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Before: M. Margaret McKeown, William A.  
Fletcher, and Ronald M. Gould, Circuit Judges  
Opinion by Judge McKeown

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**SUMMARY\*****Copyright Law**

The panel affirmed in part and reversed in part the district court's judgment after a jury trial and remanded in a copyright infringement action brought by VHT, Inc., a real estate photography studio, against Zillow Group, Inc., and Zillow, Inc., an online real estate marketplace.

VHT alleged that Zillow's use of photos on the "Listing Platform" and "Digs" parts of its website exceeded the scope of VHT's licenses to brokers, agents, and listing services that provided those photos to Zillow. The district court granted partial summary judgment on a limited set of claims. The jury found in favor of VHT on most remaining claims, awarding over \$8.27 million in damages. The district court partially granted Zillow's post-trial motion for judgment notwithstanding the verdict, reversing in part the jury verdict and reducing total damages to approximately \$4 million.

The panel affirmed the district court's summary judgment in favor of Zillow on direct infringement of the Listing Platform photos. The panel held that VHT failed to establish that Zillow engaged in volitional conduct by exercising control over the content of the Listing Platform.

With respect to direct liability on the Digs photos, the panel affirmed the district court's grant in favor of

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\* This summary constitutes no part of the opinion of the court. It has been prepared by court staff for the convenience of the reader.

Zillow of judgment notwithstanding the verdict on 22,109 nondisplayed photos and 2,093 displayed but not searchable photos. The panel held that VHT did not present substantial evidence that Zillow, through the Digs platform, directly infringed its display, reproduction, or adaption rights.

The panel upheld summary judgment in favor of VHT on 3,921 displayed, searchable Digs photos. The panel held that fair use did not absolve Zillow of liability because Zillow's tagging of the photos for searchable functionality was not a transformative fair use.

The panel affirmed the district court's grant in favor of Zillow of judgment notwithstanding the verdict on secondary liability, both contributory and vicarious, on the Digs photos.

As to damages, the panel remanded consideration of the issue whether VHT's photos used on Digs were part of a compilation or were individual photos.

The panel reversed the district court's denial of judgment notwithstanding the verdict on the issue of willfulness and vacated the jury's finding on willfulness. The panel concluded that substantial evidence did not show that Zillow was "actually aware" of its infringing activity, nor that Zillow recklessly disregarded or willfully blinded itself to its infringement.

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#### **COUNSEL**

Ian B. Crosby (argued), Edgar G. Sargent, Genevieve Vose Wallace, and Jenna G. Farleigh,

Susman Godfrey LLP, Seattle, Washington, for Defendants-Appellants/Cross-Appellees.

Stephen M. Rummage (argued), Marcia B. Paul, Jonathan M. Lloyd, James E. Howard, and Max B. Hensley, Davis Wright Tremaine LLP, Seattle, Washington, for Plaintiff-Appellee/Cross-Appellant.

Keith Kupferschmid and Terry Hart, Copyright Alliance, Washington, D.C.; Eleanor M. Lackman and Lindsay W. Bowen, Cowan, DeBaets, Abrahams & Sheppard LLP, New York, New York; for Amicus Curiae Copyright Alliance.

Alicia Calzada, Alicia Wagner Calzada, PLLC, San Antonio, Texas, for Amici Curiae The American Society of Media Photographers, Inc., Digital Media Licensing Association, Inc., Graphic Artist Guild, Inc., and National Press Photographers Association, Inc.

Thomas G. Hentoff and Chanakya A. Sethi, Williams & Connolly LLP, Washington D. C., for Amici Curiae Disney Enterprises, Inc., Twentieth Century Fox Film Corporation, and Recording Industry Association of America, Inc.

Mitchell L. Stoltz, Electronic Frontier Foundation, San Francisco, California, for Amicus Curiae Electronic Frontier Foundation.

Brian M. Willen, Wilson Sonsini Goodrich & Rosati, P.C., New York, New York; Ryan T. O'Hollaren, Wilson Sonsini Goodrich & Rosati, P.C., Palo Alto, California; for Amici Curiae Internet Association and Computer & Communications Industry Association.

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**OPINION**



McKEOWN, Circuit Judge:

Zillow, an online real estate marketplace, has become a popular website for homeowners and others to check estimated valuations of their property, look for houses and condominiums for sale and rent, and see photographs of a wide range of properties. Thousands of those copyrighted photos come from VHT, the largest professional real estate photography studio in the country.

The copyright claims on appeal concern Zillow's use of VHT's photos on two parts of Zillow's website: the "Listing Platform" and "Digs." The Listing Platform is the core of the website, featuring photos and information about real estate properties, both on and off the market. Zillow claims that the site includes "most homes in America." Digs features photos of artfully-designed rooms in some of those properties and is geared toward home improvement and remodeling. Zillow tags photos on the Listing Platform so that Digs users can search the database by various criteria, like room type, style, cost, and color.

Real estate brokers, listing services, and agents hire VHT to take professional photos of new listings for marketing purposes. A VHT photographer takes the photos and sends them to the company's studio for touch-up, where they are saved to VHT's electronic photo database, and then delivered to the client for use under license. Each license agreement between VHT and its clients differs slightly, but each contract generally grants the requesting client the right to use the photos in the sale or marketing of the featured property. Zillow receives these photos and other data in feeds from various real estate-related sources.

In 2015, VHT sued Zillow Group, Inc., and Zillow, Inc., (collectively “Zillow”) for copyright infringement, alleging that Zillow’s use of photos on the Listing Platform and Digs exceeded the scope of VHT’s licenses to brokers, agents, and listing services who provided those photos to Zillow. The district court granted partial summary judgment on a limited set of claims, while other claims advanced to trial. The jury found in favor of VHT on most remaining claims, awarding over \$8.27 million in damages. The district court partially granted Zillow’s post-trial motion for judgment notwithstanding the verdict, reversing in part the jury verdict and reducing total damages to approximately \$4 million.

The parties cross-appealed issues stemming from partial summary judgment, the jury verdict, and judgment notwithstanding the verdict. We affirm in part and reverse in part.<sup>5</sup>

To simplify and make sense of the various claims, this opinion does not split out the appeal and cross-appeal as was done in the briefing to the court. Instead, the opinion separately addresses liability for each of the categories of photos at issue, followed by a discussion of damages. In view of the multiple theories of liability and categories of photos, following is an overview of the opinion.

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<sup>5</sup> In connection with these proceedings, we received amicus curiae briefs from a broad array of interested parties, including nonprofit groups and associations representing a diverse set of industry, technology, and artistic interests. The briefs were helpful to our understanding of the implications of this case from various points of view. We thank amici for their participation.

- I. Direct Infringement
  - A. Direct Infringement—Listing Platform Photos
  - B. Direct Infringement—Digs Photos
    - 1. Jury Verdict—Direct Infringement
    - 2. Summary Judgment—Fair Use re Searchable Photos
      - a. Background on Fair Use
      - b. Evolution of Search Engine Cases
      - c. Application of Fair Use Principles
- II. Secondary Infringement—Digs
  - A. Contributory Liability
  - B. Vicarious Liability
- III. Damages
  - A. Compilation
  - B. Willfulness
- IV. Conclusion

## ANALYSIS

The heart of this dispute is Zillow’s copyright liability for use of VHT photos. VHT argues that Zillow directly infringed its copyrighted photos, both those on the Listing Platform and Digs. VHT also argues that Zillow indirectly infringed through use of the photos on Digs. These claims pertain to different images, focus on different features of Zillow’s website, and have different procedural postures, so we consider the various categories of photos separately.

### **I. Direct Infringement**

VHT’s key claim is that Zillow is directly liable for infringing VHT’s copyright on photos that were posted on the Listing Platform and Digs. To prevail on a claim of direct copyright infringement, VHT must establish “ownership of the allegedly infringed

material” and that Zillow “violate[d] at least one exclusive right granted to” VHT under 17 U.S.C. § 106. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013 (9th Cir. 2001). It is undisputed that VHT is the copyright holder of the allegedly infringed photos and therefore has the exclusive right to reproduce, adapt, and display them.<sup>6</sup> 17 U.S.C. § 106.

VHT must also establish causation, which is commonly referred to as the “volitional-conduct requirement.” See *Perfect 10, Inc. v. Giganeews, Inc.*, 847 F.3d 657, 666 (9th Cir. 2017). As we set out in *Giganeews*—decided on the first day of the VHT/Zillow trial and the closest circuit precedent on point—“volition in this context does not really mean an act of willing or choosing or an act of deciding”; rather, “it simply stands for the unremarkable proposition that proximate causation historically underlines copyright infringement liability no less than other torts.” *Id.* (internal citations omitted). Stated differently, “*direct* liability must be premised on conduct that can reasonably be described as the *direct cause* of the infringement.” *Id.* (citation omitted). This prerequisite takes on greater importance in cases involving automated systems, like the Zillow website.

In addressing this concept, Justice Scalia noted that “[e]very Court of Appeals to have considered an automated-service provider’s direct liability for copyright infringement has adopted [the volitional-conduct] rule.” *Am. Broad. Cos., Inc. v. Aereo, Inc.*, 573

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<sup>6</sup> VHT does not appeal the district court’s finding that there was insufficient evidence that Zillow violated VHT’s distribution rights.

U.S. 431, 453 (2014) (Scalia, J., dissenting).<sup>7</sup> He went on to explain that while “most direct-infringement cases” do not present this issue, “it comes right to the fore when a direct-infringement claim is lodged against a defendant who does nothing more than operate an automated, user-controlled system. . . . Most of the time that issue will come down to who selects the copyrighted content: the defendant or its customers.” *Id.* at 454-55 (internal citations omitted).

*Giganews*, *Aereo*, and out-of-circuit precedent counsel that direct copyright liability for website owners arises when they are actively involved in the infringement. “[T]he distinction between active and passive participation’ in the alleged infringement is ‘central’ to the legal analysis.” *Giganews*, 847 F.3d at 667 (quoting *Fox Broad. Co. v. Dish Network LLC*, 160 F. Supp. 3d 1139, 1160 (C.D. Cal. 2015)).

That “direct” infringement requires “active” involvement is hardly surprising, given the correlation between the words “active” and “direct.” As the Fourth Circuit held, “[t]here must be actual infringing conduct with a nexus sufficiently close and causal to the illegal copying that one could conclude that the machine owner himself trespassed on the exclusive domain of the copyright owner.” *CoStar Grp., Inc. v. LoopNet, Inc.*, 373 F.3d 544, 550 (4th Cir. 2004). By contrast, activities that fall on the other side of the line, such as “automatic copying, storage, and

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<sup>7</sup> Although the majority opinion in *Aereo* does not reference the volitional-conduct requirement, Justice Scalia’s dissent offers instructive background on the doctrine. In *Giganews*, we embraced the principle and held that it is “consistent with the *Aereo* majority opinion,” which left the requirement “intact.” 847 F.3d at 666-67.

transmission of copyrighted materials, when instigated by others, do[] not render an [Internet service provider] strictly liable for copyright infringement[.]” *Giganews*, 847 F.3d at 670 (quoting *CoStar*, 373 F.3d at 555).

In other words, to demonstrate volitional conduct, a party like VHT must provide some “evidence showing [the alleged infringer] exercised control (other than by general operation of [its website]); selected any material for upload, download, transmission, or storage; or instigated any copying, storage, or distribution” of its photos. *Id.* at 666, 670. VHT failed to satisfy that burden with respect to either the photos on the Listing Platform or on Digs.

#### **A. Direct Infringement—Listing Platform Photos**

VHT asserted that Zillow directly infringed the photos displayed on the Listing Platform after a real estate property was sold because VHT’s license agreements only authorized use of those photos in relation to the sale of the property. This claim, involving 54,257 non-searchable photos, was resolved on summary judgment. The Listing Platform is the core of Zillow’s online real estate marketplace. It features photos and information about properties, which Zillow receives through digital feeds from real estate agents, brokerages, and multiple listing services, among others (collectively “feed providers”).

Zillow has agreements with its feed providers granting it an express license to use, copy, distribute, publicly display, and create derivative works from the feed data on its websites. Feed providers represent that they “ha[ve] all necessary rights and authority to

enter into” the agreements, and that “Zillow’s exercise of the rights granted [t]hereunder will not violate the intellectual property rights, or any other rights of any third party.”

These agreements provide Zillow with either “evergreen” or “deciduous” rights in the photos provided through the feeds. An evergreen right permits use of a photo without any time restriction, “on and in connection with the operation, marketing and promotion of the web sites and other properties, owned, operated or powered by Zillow or its authorized licensees.” By contrast, a deciduous right is temporally limited: Zillow may use the photo when the real-estate listing for its corresponding property is active, but once the listing is removed (for example, when the property sells), the photo must be taken down from Zillow’s websites. To treat each photo consistently with its deciduous or evergreen designation, Zillow developed automated “trumping” rules to determine which photos to display on the Listing Platform.

VHT argues that Zillow “designed its system to . . . cause[] the reproduction, display, and adaptation of VHT photographs post-sale on the Listing Platform,” and “chose to simply ignore VHT’s notices that post-sale use was beyond the scope of VHT’s licenses.” The district court granted summary judgment to Zillow, concluding that it did not engage in volitional conduct and therefore did not directly infringe VHT’s copyrights in 54,257 photos by displaying them on the Listing Platform after a real estate property was sold.

On de novo review, we agree with the district court’s analysis and affirm. *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 817 (9th Cir. 2003). Although the district court did not have the benefit of *Giganews* at

the time of summary judgment, its careful reasoning was prescient in invoking the same principles.

Zillow did not engage in volitional conduct necessary to support a finding of direct liability. The content of the Listing Platform is populated with data submitted by third-party sources that attested to the permissible use of that data, and Zillow's system for managing photos on the Listing Platform was constructed in a copyright-protective way. The feed providers themselves select and upload every photo, along with the evergreen or deciduous designations, that wind up on the Listing Platform. As a result, the photos on the Listing Platform were not "selected" by Zillow. *See Giganews*, 847 F.3d at 670. Nor did Zillow "exercise[] control" over these photos beyond the "general operation of [its website]." *Id.* Zillow required feed providers to certify the extent of their rights to use each photo. Consistent with these designations, Zillow's system classified each photo as deciduous or evergreen and programmed its automated systems to treat each photo consistently with that scope of use certified to by the third party.

Further, when multiple versions of the same photo were submitted through the various feeds, Zillow invoked its copyright-protective "trumping" rules. For example, one rule might prefer a photo provided by an agent over one provided by a multiple listing service, and another might prefer a local broker to an international one. Zillow used a rule that gave preference to photos with evergreen rights over photos with deciduous rights in the same image. As the district court recognized, "trumping" is a reasonable way to design a system to manage multiple versions of the same photo when the authorized use varies across



versions. These rules, along with other features of the system, facilitate keeping the photos with evergreen rights on the website and removing the photos with deciduous rights once a property has sold. Thus, Zillow actively designed its system to avoid and eliminate copyright infringement.

Notably, VHT's argument is primarily cast in terms of Zillow facilitating or enabling infringement by VHT's clients that are Zillow's feed providers. But this type of claim more properly falls in the category of secondary infringement, a claim not advanced by VHT with respect to the Listing Platform photos.

VHT also asserts that Zillow failed to remove photos once it received notice that infringing content was on the Listing Platform, a conscious choice that amounts to volitional conduct on Zillow's part. This claim is unavailing because, once VHT put Zillow on notice of claimed infringement, Zillow took affirmative action to address the claims. Additionally, VHT's assertion that it "repeatedly notified Zillow that it was infringing" is unsupported in the record.

In July 2014, VHT sent Zillow a takedown notice letter with a list of thousands of allegedly infringing photos by residential street address (but not by web address). Zillow promptly requested all executed license agreements between VHT and the feed providers who had provided photos to Zillow, as well as license agreements between VHT and its photographers, so that Zillow could evaluate whether VHT possessed exclusive rights to the photos on the Listing Platform. VHT responded with an unsigned form contract, which it stated was used with many feed providers, but which was not tied to any specific photos on Zillow's website. Zillow again reiterated its

need to see the specific contracts governing the contested photos. Instead of responding with the contracts, VHT filed suit. Zillow’s reasonable response to VHT’s single formal inquiry (supplemented in a follow-on email) can hardly be characterized as rising to the level of volitional conduct or turning a blind eye.

In sum, VHT failed to “provide[] . . . evidence showing [Zillow] exercised control (other than by general operation of [its website]); selected any material for upload, download, transmission, or storage; or instigated any copying, storage, or distribution” of these photos. *See Giganews*, 847 F.3d at 670; *see also CoStar*, 373 F.3d at 555. Thus, we affirm the district court and conclude Zillow did not directly infringe VHT’s copyrights in photos displayed on the Listing Platform post-sale.

### **B. Direct Infringement—Digs Photos**

VHT also claimed that Zillow directly infringed thousands of photos used on Digs. The jury concluded that Zillow directly infringed photos and rejected its fair use defense. Following trial, the district court granted in substantial part Zillow’s motion for judgment notwithstanding the verdict on the ground that insufficient evidence supported Zillow’s direct infringement of 22,109 photos that were not displayed on Digs and 2,093<sup>8</sup> photos that were displayed but not searchable on Digs.

By contrast, the court upheld the jury’s determination that Zillow directly infringed a set of

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<sup>8</sup> The displayed but non-searchable set includes 2,094 photos. The district court affirmed the jury verdict with respect to one of those photos, which Zillow also distributed via email.

3,921 images that were selected and tagged by Zillow moderators for searchable functionality and displayed on Digs. Zillow does not appeal this ruling. However, Zillow argues that fair use insulates it from liability as to this subset of photos. The jury was instructed not to consider this legal theory as to these photos because the district court had determined pretrial that, as a matter of law, the searchability function did not constitute fair use. It is that summary judgment ruling that Zillow challenges on appeal. Because we agree with the district court that the fair use defense does not absolve Zillow of direct liability for these searchable photos, this portion of the jury verdict remains intact.

The following chart clarifies the status of the Digs photos relevant to the direct infringement claims.

<b>Photos</b>	<b>Jury Verdict</b>	<b>Post-Trial Determination</b>	<b>Party Bringing Appeal</b>
22,109 not displayed <sup>9</sup>	Direct infringement	Overturned jury verdict	VHT
2,094 displayed, not searchable	Direct infringement	Overturned jury verdict (except 1 email photo)	VHT

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<sup>9</sup> Searchable photos numbered 1,694; 20,415 photos were not searchable.

3,921 displayed, searchable	Direct infringement	Upheld jury verdict	Zillow: direct infringement not appealed; appeals only summary judgment on no fair use
1 blog post photo (not on Digs)	Direct infringement	Upheld jury verdict	Not appealed

### 1. Jury Verdict—Direct Infringement

VHT’s claim that Zillow directly infringed photos on Digs went to the jury. The jury verdict form was framed in general terms, asking only whether “VHT has proven its direct copyright infringement claim as to one or more of the VHT Photos[.]” The jury answered “yes,” and was asked to specify how many VHT photos were directly infringed. The jury answered “28,125”—in other words, all of them. However, the jury was not asked to specify which copyright rights—display, reproduction, or adaption—were infringed.<sup>10</sup> Following trial, Zillow moved for judgment notwithstanding the verdict or for a new trial. The task fell to the district court to examine the evidence as to each right.

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<sup>10</sup> As noted earlier, the distribution right was not contested and is not an issue on appeal.

On de novo review, “we apply the same standard used by the district court in evaluating the jury’s verdict” and uphold the verdict unless “the evidence permits only one reasonable conclusion, and that conclusion is contrary to the jury’s verdict.” *Wallace v. City of San Diego*, 479 F.3d 616, 624 (9th Cir. 2007); Fed. R. Civ. P. 50(a). Specifically, we “ask[] whether the verdict is supported by substantial evidence,” “which is evidence adequate to support the jury’s conclusion, even if it is also possible to draw a contrary conclusion.” *Unicolors, Inc. v. Urban Outfitters, Inc.*, 853 F.3d 980, 984, 991 (9th Cir. 2017) (quotation and citation omitted). Given the sanctity of the jury process, we undertake this review with special care and reluctance to overturn a verdict. However, because the verdict here did not meet this standard, we affirm the district court’s grant of Zillow’s motion for judgment notwithstanding the verdict with respect to direct infringement of 22,109 non-displayed photos and 2,093 displayed but not searchable photos.

We first consider display rights. As background for our analysis, it is useful to consider the direct infringement by Zillow that the district court upheld and that Zillow did not appeal. The district court found substantial evidence that Zillow directly infringed VHT’s display rights in 3,921 photos displayed on Digs that Zillow moderators selected and tagged for searchable functionality. Based on testimony, charts, and statistics, the court found that “the jury could have reasonably concluded that users accessed those images through Digs’s search function.” The court went on to reason that “the jury could have reasonably concluded that Zillow’s moderation efforts, which rendered those images searchable, proximately caused the copying.” Put differently, active conduct by

Zillow met the volitional-conduct requirement for direct infringement. Zillow does not appeal this ruling upholding the jury's verdict as to the 3,921 displayed, searchable photos.

On appeal, VHT attempts to shoehorn an additional 1,694 photos into this category. This effort falls flat both as a factual and legal matter because substantial evidence does not support direct infringement of VHT's display rights in the 1,694 searchable images that were not displayed.

VHT posits that the jury could have found that these photos were displayed because of circumstantial evidence and because Zillow failed to record whether they were displayed. Not so. This argument is foreclosed by the parties' stipulated spreadsheet that categorized each photo. The column labeled "DISPLAYED" included an entry for "Y" (yes) or "N" (no). The jury was instructed to "treat every fact on this spreadsheet as proven," so VHT cannot recast the facts retroactively and now claim that 1,694 searchable images stipulated as "N[OT] DISPLAYED" *were in fact* displayed or made available for display. Up is not down.

VHT's contention that the jury could have reasonably inferred that Zillow made "available for public display" all 22,109 "N[OT] DISPLAYED" images similarly fails. This theory presumes that the Copyright Act's display right encompasses an exclusive right to "make available for display," a position neither supported by the statute nor embraced by this court. *See Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1160 (9th Cir. 2007) ("[B]ased on the plain language of the statute, a person displays a photographic image by using a computer to

fill a computer screen with a copy of the photographic image fixed in the computer's memory."); 17 U.S.C. § 101 ("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."). To be sure, the Copyright Office notes that the outer limits of the public display right have yet to be defined. U.S. Copyright Office, *The Making Available Right In The United States* 47-51 (Feb. 2016), [https://www.copyright.gov/docs/making\\_available/making-available-right.pdf](https://www.copyright.gov/docs/making_available/making-available-right.pdf).

What is most important here, though, is that VHT's argument comes too late. The jury was never instructed on the "made available" theory, nor did VHT raise this issue in its proposed jury instructions or in objections to the final instructions. *See Sinclair v. Long Island R.R.*, 985 F.2d 74, 78 (2d Cir. 1993) ("the verdict . . . cannot be sustained on a theory that was never presented to the jury"); *Ramona Equip. Rental, Inc. ex rel. U.S. v. Carolina Cas. Ins. Co.*, 755 F.3d 1063, 1070 (9th Cir. 2014) (an argument raised for first time in a post-trial motion is waived). For these reasons, substantial evidence did not support a finding of direct infringement of VHT's public display rights in these 22,109 photos.

Zillow also did not violate VHT's display rights in 2,093 displayed, non-searchable photos. These are photos that Digs users copied to "personal boards" and "Implicit Digs," but which Zillow did not add to the searchable set.

A "personal board" is a bespoke digital bulletin board of images that a user saves or uploads from the

Listing Platform. Users can also upload their own images. These boards are typically private, though users can share a link to their boards. When a user saves a copy of an image with evergreen rights to a personal board, that image automatically joins a queue for review by a Zillow moderator. The moderator then decides whether to designate the photo for tagging so that it can be searchable on Digs, and thus select it for public display. Not all photos that are in the queue for moderation are reviewed. Additionally, in some instances, a user starts but does not finish the process of saving an image to this board. Beginning in 2014, Zillow programmed these “clicked to save” images—called “Implicit Digs”—to enter the queue for moderator review in the same manner as if the photo had been saved to a personal board.

According to VHT, the jury could have found that Zillow “caused the [2,093] images to be displayed . . . by subjecting the non-searchable VHT Photos to the potential for moderation.” This argument defies logic because the only display that occurred was triggered by the user. Any potential for future display is purely speculative. As the district court explained, the *possibility* that images might be moderated and tagged—conduct that is volitional—is not sufficient “to transform Zillow from a ‘passive host’ to a ‘direct[] cause’ of the display of VHT’s images.”

Next, we consider VHT’s exclusive reproduction and adaption rights in the 2,093 displayed, non-searchable photos. The Copyright Act grants copyright holders the exclusive right “to reproduce the copyrighted work in copies or phonorecords.” 17 U.S.C. § 106(1). Direct infringement of the reproduction right “requires copying *by* the defendant,



. . . which [requires] that the defendant cause the copying.” *Fox Broad. Co., Inc. v. Dish Network LLC*, 747 F.3d 1060, 1067 (9th Cir. 2014) (quotation and citation omitted). The adaptation right is the exclusive right “to prepare derivative works based upon the copyrighted work.” 17 U.S.C. § 106(2). Following *Giganews*, we conclude that Zillow’s automated processes storing or caching VHT’s photos are insufficiently volitional to establish that Zillow directly infringed VHT’s reproduction and adaptation rights in these non-searchable photos. Unlike photos that Zillow curated, selected, and tagged for searchable functionality—activities that amount to volitional conduct establishing direct liability—these 2,093 photos were copied to “personal boards” and “Implicit Digs” based on *user* actions, not the conduct of Zillow or its moderators.

Any volitional conduct with respect to these photos was taken by the users, not Zillow. Users, not Zillow, “selecte[d]” images to add to their personal boards and “instigate[d]” the automatic caching process by saving a particular image. See *Giganews*, 847 F.3d at 670. This arrangement is important because courts have found no direct liability where an online system “responds automatically to users’ input . . . without intervening conduct” by the website owner. *CoStar*, 373 F.3d at 550; see also *Giganews*, 847 F.3d at 670. Under these conditions, courts have analogized online facilities, like Internet service providers, to a copy machine owner, who is not liable “[w]hen a customer duplicates an infringing work.” *CoStar*, 373 F.3d at 550.

Additionally, Zillow’s behind-the-scenes technical work on Digs photos is not evidence that Zillow

“selected any material for upload, download, transmission, or storage.” *Giganews*, 847 F.3d at 670. Zillow produced cached copies of these Digs images, a process that automatically trims or pads images whose height and width did not match the target resolution, for the purposes of accelerating website speed. This activity does not amount to volitional conduct. Nor can Zillow’s promotion of Digs, including encouraging users to share photos through its site, be seen as “instigat[ing]” user copying. *Id.*

Zillow’s conduct with respect to these photos amounts to, at most, passive participation in the alleged infringement of reproduction and adaption rights and is not sufficient to cross the volitional-conduct line. As in cases involving Internet service providers, Zillow “affords its [users] an Internet-based facility on which to post materials, but the materials posted are of a type and kind selected by the [user] and at a time initiated by the [user].” *CoStar*, 373 F.3d at 555. Zillow did not directly infringe VHT’s reproduction and adaptation rights in the 2,093 displayed, non-searchable photos.<sup>11</sup>

\* \* \*

In sum, VHT did not present substantial evidence that Zillow, through the Digs platform, directly infringed its display, reproduction, or adaption rights in 22,109 not displayed photos and 2,093 displayed but non-searchable photos. We affirm the district court’s grant of judgment notwithstanding the verdict as to these photos. We now turn to Zillow’s fair use defense

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<sup>11</sup> The same analysis applies to any potential violation of VHT’s exclusive reproduction and adaption rights in the 22,109 photos that were not displayed.

to direct infringement of 3,921 displayed, searchable photos.

## **2. Summary Judgment—Fair Use re Searchable Photos**

Zillow does not appeal the jury's finding of direct infringement with respect to the 3,921 displayed, searchable photos, but does assert a fair use defense for those photos. Zillow contends that Digs' searchable functionality constitutes fair use, which the district court rejected as a matter of law at summary judgment.

We recount the somewhat unusual history of the fair use issue in the proceedings below. On summary judgment, the district court rejected Zillow's argument that "the images that it has made searchable on Digs" are protected by fair use and instead "conclude[d] as a matter of law that Digs' searchable functionality does not constitute a fair use." At trial, the jury was generally instructed to consider the fair use defense as to all VHT photos used on Digs that it found Zillow had directly or indirectly infringed. However, this set of photos was carved out for separate treatment. The jury considered only whether "reproduction, cropping, and scaling" of these photos constituted fair use because the court instructed the jury that the court "ha[d] determined, and you are to take as proven, that the Digs searchable functionality does not constitute fair use." After finding that Zillow directly infringed all 28,125 VHT photos used on Digs, the jury rejected Zillow's fair use affirmative defense for all photos.

The district court upheld the jury's fair use verdict, which Zillow does not appeal. Rather, Zillow's appeal reaches back to the district court's summary judgment

ruling to argue that the Digs' searchable functionality is fair use as a matter of law, and, as a result, Zillow bears no liability for the 3,921 searchable and displayed photos. We review de novo the district court's grant of summary judgment to VHT on this mixed question of law and fact. *Kelly*, 336 F.3d at 817.

*a. Background on Fair Use*

Protection of copyrighted works is not absolute. "The fair use defense permits the use of copyrighted works without the copyright owner's consent under certain situations." *Amazon*, 508 F.3d at 1163. Fair use both fosters innovation and encourages iteration on others' ideas, "thus providing a necessary counterbalance to the copyright law's goal of protecting creators' work product." *Id.*; see *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 575-76 (1994). Fair use also aligns with copyright's larger purpose "[t]o promote the Progress of Science and useful Arts, . . . and to serve 'the welfare of the public.'" *Amazon*, 508 F.3d at 1163 (quoting U.S. Const. art. I, § 8, cl. 8, and *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 n.10 (1984)).

Fittingly enough, a case involving a biography of George Washington serves as a foundational source of fair use in American law. *Folsom v. Marsh*, 9 F. Cas. 342 (D. Mass. 1841) (No. 4901). Justice Story's narrative description of copyright doctrine in that case "distilled the essence of law and methodology from the earlier cases" and provided the conceptual basis for the judge-made fair use doctrine. *Campbell*, 510 U.S. at 576. Although the 1976 Copyright Act codified those principles, it did little to elaborate on Justice Story's description or to clarify application of the factors. With minimal guidance or elucidation, Congress set

forth four factors for courts to consider when determining whether the use of a copyrighted work is a “fair use”:

- (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.

Given license to apply these factors flexibly and to consider them in their totality, courts have been bedeviled by the fair use inquiry. *See Campbell*, 510 U.S. at 577-78. Fair use has been called “the most troublesome [doctrine] in the whole law of copyright” and commentators have criticized the factors as “billowing white goo.” *Monge v. Maya Magazines, Inc.*, 688 F.3d 1164, 1170-71 (9th Cir. 2012) (citations and quotations omitted). In a (still ongoing) effort to adapt the fair use analysis to a myriad of circumstances, courts have embellished and supplemented the factors. For example, the concept of “transformativeness” is found nowhere in the statute, but appeared for the first time in the Supreme Court in *Campbell*, where the Court endeavored to refine and crystalize the first statutory factor: the “purpose

and character of the use.”<sup>12</sup> 510 U.S. at 579. The animating purpose of the first factor is to determine,

in Justice Story’s words, whether the new work merely ‘supersede [s] the objects’ of the original creation . . . or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is “transformative.”

*Id.* (citations omitted). Because transformation advances copyright’s core goals, “the more transformative the new work, the less will be the significance of other factors.” *Id.* Likewise, despite the absence of a textual hook, public purpose also has been read into the statute. *See Amazon*, 508 F.3d at 1166; *Kelly*, 336 F.3d at 820. While we can discern certain animating principles bridging cases in this area, the doctrine has hardly followed a straight, or even slightly curved, line.

The focus of the parties’ debate here is whether Zillow’s tagging of 3,921 VHT photos for searchable functionality on Digs was transformative and thus supported a finding of fair use. The purpose of Digs is to permit users to search for certain attributes or features, such as a marble countertop or hardwood

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<sup>12</sup> The concept of transformative use had appeared in earlier lower court decisions, *e.g.*, *Twin Peaks Prods., Inc. v. Publ’ns Intern., Ltd.*, 996 F.2d 1366, 1375 (2d Cir. 1993) (“[I]t is not uncommon for works serving a fair use purpose to give at least a brief indication of the plot. . . . In identifying plot, the author of the second work may or may not be said to have made . . . a ‘transformative’ use. . . . Such use would occur, for example, if a plot was briefly described for purposes of adding significant criticism or comment about the author’s plotting technique.”).

floor, and view photos of rooms with those attributes or features. These photos are either uploaded by users to Digs, or selected manually or electronically by Zillow. Zillow then tags the photos to make them searchable. Of course, tagging makes it possible for a user's keyword search to produce relevant results. Zillow refers to these tagged photos as "searchable images" or components of the "searchable set." VHT's 3,921 photos are in the searchable set.

Zillow contends that Digs is effectively a search engine, which makes its use of VHT's photos transformative, and therefore fair use. VHT responds that this is not fair use because Digs is not a search engine and the tagging for searchable functionality is not transformative. Dueling "search engine" characterizations do not resolve fair use here. Instead, we step back and assess the question holistically, as we have been instructed to do by the statute and the Supreme Court. We consider the reality of what is happening rather than resorting to labels. To do that, it is helpful to recount the history of the search engine cases.

*b. Evolution of Search Engine Cases*

Over the past two decades, search engines have emerged as a significant technology that may qualify as a transformative fair use, making images and information that would otherwise be protected by copyright searchable on the web. *See Amazon*, 508 F.3d at 1166-67; *Kelly*, 336 F.3d at 818-22. In assessing fair use in the context of search engines, courts have relied heavily on the first fair use factor, and in particular "whether and to what extent the new work is transformative." *Campbell*, 510 U.S. at 579 (citation and quotation omitted); *see also Amazon*, 508

F.3d at 1164 (explaining the *Kelly* court relied “primarily” on the first fair use factor when conducting its analysis); *Authors Guild v. Google, Inc.*, 804 F.3d 202, 220-221, 223 (2d Cir. 2015) (offering a relatively abbreviated consideration of the remaining three fair use factors, all of which were informed by its analysis of the first factor).

In an early opinion applying fair use principles in the digital age, we held that the now-defunct search engine Arriba’s creation and use of thumbnail versions of a professional photographer’s copyrighted images was fair use because the “smaller, lower-resolution images . . . served an entirely different function than [the] original images.” *Kelly*, 336 F.3d at 815, 818. The original images served an artistic or aesthetic purpose. *Id.* at 819. By contrast, the thumbnail images, which were provided in response to a user’s search query, were incorporated into the search engine’s overall function “to help index and improve access to images on the internet and their related web sites.” *Id.* at 818. Investing the images with a new purpose made Arriba’s use transformative, not superseding. Indeed, the thumbnail versions could not supersede the original use because the thumbnails were grainy and low-resolution when enlarged. *Id.* Additionally, Arriba’s use of the thumbnail images “promote[d] the goals of the Copyright Act and the fair use exception” because they “benefit[ed] the public by enhancing information-gathering techniques on the internet.” *Id.* at 820. Just as *Campbell* had drawn out the principle of transformation from the first statutory factor, we drew out the principle of public benefit.

Building on our reasoning in *Kelly*, in *Amazon* we held that Google’s use of thumbnail images in its



search engine is “highly transformative” and thus fair use. 508 F.3d at 1163-65. As in *Kelly*, we concluded that “a search engine provides social benefit by incorporating an original work into a new work, namely, an electronic reference tool.” *Id.* at 1165. On a scale much greater than the search engine at issue in *Kelly*, Google “improve[s] access to images on the internet and their related web sites” by “index[ing]” the internet and linking to the original source image generated in the search results. *Kelly*, 336 F.3d at 815-16, 818. By using the thumbnail images in service of the search engine, Google “transforms the image,” which might have been created for an “entertainment, aesthetic, or informative function,” “into a pointer directing a user to a source of information.” *Amazon*, 508 F.3d at 1165. As a result of the new function that the image serves, Google’s use of the entire image in its search engine results “does not diminish the transformative nature of [its] use.” *Id.* And, further developing the public benefit principle from *Kelly*, we emphasized that Google’s search engine both “promotes the purposes of copyright and serves the interests of the public,” which significantly outweighed the superseding or commercial uses of the search engine, and strongly supported finding fair use. *Id.* at 1166.

More recently, the Second Circuit considered whether fair use protected the Google Books search engine, which employs digital, machine-readable copies of millions of copyright-protected books scanned by Google. *Authors Guild*, 804 F.3d at 207-08.<sup>13</sup> The

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<sup>13</sup> The Google Books search engine also featured millions of public domain texts. For obvious reasons, fair use was not at issue with those works.

Google Books search engine enables a full text search, which makes possible searching for a specific term, and then provides “snippets,” or a part of a page, for users to read. *Id.* at 208-09, 216-17. The court held that both functions involve a “highly transformative purpose of identifying books of interest to the searcher.” *Id.* at 218. The search function “augments public knowledge by making available information about Plaintiffs’ books without providing the public with a substantial substitute.” *Id.* at 207. And the search engine makes possible a new type of research known as “text mining” or “data mining,” whereby users can search across the corpus of books to determine the frequency of specified terms across time. *Id.* at 209, 217. Additionally, the “snippet” view provides context for users to assess if a book is relevant to them, without providing so much context as to supersede the original. *Id.* at 218. To boot, Google often provides a link to a page where the entire book can be found at a library or purchased. *Id.* at 209. Concluding that Google’s commercial motivation did not significantly outweigh these transformative uses, the court held that the first factor strongly supported a finding of fair use. *Id.* at 219.

What we divine from these cases is that the label “search engine” is not a talismanic term that serves as an on-off switch as to fair use. Rather, these cases teach the importance of considering the details and function of a website’s operation in making a fair use determination. We now examine Digs with those lessons in mind.

*c. Application of Fair Use Principles*

As noted, the first factor assesses the character of the use, including whether it is commercial in nature,

and, critically, whether it is “transformative.” There is no dispute that Zillow’s use is for commercial purposes, a factor we cannot ignore. To determine if that use is transformative, we consider whether and to what extent it “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. Though we agree that Digs is a type of search engine because it offers searchable functionality, it is qualitatively different than Google and other open-universe search engines, as well as different than the Google Books search engine.

Most simply, a search engine is a software program that enables information retrieval by helping users find information through the use of keyword queries. But not all search engines are created equal. The search engines commonly used for day-to-day research are internet-wide search engines, like Google, Yahoo, or Bing. These search engines are programs powered by algorithms that search or “crawl” the web. A search engine like Google then indexes websites, stores them on a database, and runs users’ search queries against it. Search results are typically a mix of images and text, which include hyperlinks to sources of that content elsewhere on the web. *Amazon*, 508 F.3d at 1155.

Unlike the internet-wide search engines considered in *Amazon* and *Kelly*, Digs is a closed-universe search engine that does not “crawl” the web. Users can run searches on the “searchable set” of images within Digs’ walled garden, which includes VHT photos. The search results do not direct users to the original sources of the photos, such as VHT’s website. Rather, they link to other pages within

Zillow’s website and, in some cases, to third-party merchants that sell items similar to those featured in the photo.

That Digs makes these images searchable does not fundamentally change their original purpose when produced by VHT: to artfully depict rooms and properties. Additionally, Digs displays the entire VHT image, not merely a thumbnail. Unlike in *Amazon*, the new image does not serve a “different function” than the old one. *Amazon*, 508 F.3d at 1165. Zillow’s use preserves the photos’ “inherent character.” *Monge*, 688 F.3d at 1176. And Zillow “simply supersed[es] [VHT’s] purpose” in creating the images in the first place. *Kelly*, 336 F.3d at 819-20; see *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 550-51 (1985) (holding that if a new work “supersede[s] the use of the original,” it is probably not a fair use).

Comparing Digs to the Google Books search engine further drives home this analysis. We agree with the Second Circuit’s observation that the copyright dispute over the Google Books search engine “tests the boundaries of fair use.” *Authors Guild*, 804 F.3d at 206. We conclude that Digs goes one step further—and crosses the line.

Like Digs, the Google Books search engine operates on a closed database comprised of complete digital copies of original works. *Id.* at 217. But the similarities end there.

The Google Books project makes it possible to search books for “identifying information instantaneously supplied [that] would otherwise not be obtainable in lifetimes of searching.” *Id.* at 209.

With this broad purpose in mind, the court rightfully observed that this system “augments public knowledge.” *Id.* at 207. This rationale bears no comparison to Digs.

Nor is the limited transformation present on Digs remotely comparable to the unprecedented text mining, word pattern, frequency of use, and other statistical analyses made possible for the first time by Google Books. Google Books search results provide “[a] brief description of each book, entitled ‘About the Book,’” as well as, for some books, links for borrowing or purchasing the book. *Id.* at 209. Significantly, a Google Books search produces only a “snippet” of the book, and sometimes it “disables snippet view entirely.” *Id.* at 210. At the request of a rights holder, Google “will exclude any book altogether from snippet view.” *Id.*

These features, in conjunction with other creative aspects of Google Books, result in a categorically more transformative use than Zillow’s simple tagging and query system that displays full-size copyrighted images serving the same purpose as the originals, with no option to opt out of the display, and with few, if any, transformative qualities. Any transformation by Zillow pales in comparison to the uses upheld in prior search engine cases. Such use also does nothing to further the use of copyrighted works for the socially valuable purposes identified in the Copyright Act itself, like “criticism, comment, news reporting, teaching . . . , scholarship, or research.” 17 U.S.C. § 107; *see also* 4 Nimmer On Copyright § 13.05[A]. The lack of transformation is especially significant because, as *Kelly* teaches, “[t]he more transformative the new work, the less important the other factors,

including commercialism, become.” 336 F.3d at 818 (citing *Campbell*, 510 U.S. at 579). If, as the Second Circuit suggested, Google’s use “tests the boundaries of fair use,” Zillow’s efforts push Digs into the outer space of fair use. *Authors Guild*, 804 F.3d at 206. So while Google Books may inch across the boundary of fair use, Zillow’s use does not approach the line.

Our decisions in *Amazon* and *Kelly* provide a roadmap for analyzing the second factor, which focuses on the nature of the copyrighted work. In those cases, we held that photographers’ images are creative, especially when they are created for public viewing. *Amazon*, 508 F.3d at 1167; *Kelly*, 336 F.3d at 820. “Works that are creative in nature are ‘closer to the core of intended copyright protection’ than are more fact-based works.” *Napster*, 239 F.3d at 1016 (quoting *Campbell*, 510 U.S. at 586).

So too here. VHT’s photos are aesthetically and creatively shot and edited by professional photographers. That Zillow’s curators select the most creative photos for the Digs searchable set underscores the creative nature of the works. But, as the district court properly noted, this factor operates “with less force” in favor of VHT because the photos had already been published on the Listing Platform. *See Kelly*, 336 F.3d at 820 (“The fact that a work is published or unpublished also is a critical element of its nature. Published works are more likely to qualify as fair use because the first appearance of the artist’s expression has already occurred.”). Ultimately, this factor only slightly favors VHT, further cutting against finding fair use.

The third factor evaluates the amount and substantiality of the copyrighted work that was used.

“[C]opying an entire work militates against a finding of fair use.” *Worldwide Church of God v. Phila. Church of God, Inc.*, 227 F.3d 1110, 1118 (9th Cir. 2000) (quotation and citation omitted). However, this analysis is informed by the “purpose of the copying.” *Campbell*, 510 U.S. at 586. In that spirit, we have found that copying full works qualifies as fair use where “[I]t was necessary . . . to copy the entire image to allow users to recognize the image and decide whether to pursue more information about the image or the originating web site.” *Kelly*, 336 F.2d at 821. In contrast to *Amazon* and *Kelly*, nothing justifies Zillow’s full copy display of VHT’s photos on Digs.

Finally, the fourth factor considers “the effect of the use upon the potential market for or value of the copyrighted work.” 17 U.S.C. § 107(4). To defeat a fair use defense, “one need only show that if the challenged use should become widespread, it would adversely affect the potential market for the copyrighted work.” *Harper & Row Publishers*, 471 U.S. at 568 (citation and quotation omitted).

Although VHT had licensed only a handful of photos for secondary uses (and none on a searchable database), that market was more than “hypothetical.” *See Amazon*, 508 F.3d at 1168. Significantly, VHT was “actively exploring” the market for licensing its photos to home design websites like Digs—including with Zillow itself. This factor favors VHT.

Taken together, the nature of Zillow’s use, when integrated with the four factors, cuts against finding fair use by Zillow. We affirm the district court’s grant of summary judgment to VHT with respect to fair use.

## II. Secondary Infringement—Digs

Turning to VHT's claim for secondary infringement, the district court correctly concluded that Zillow did not secondarily infringe VHT's exclusive rights in the 28,125 photos used on Digs, aside from 114 images created on Digs after VHT specifically identified them, which are not on appeal. As noted before with regard to the district court's ruling on direct infringement, "we apply the same standard used by the district court in evaluating the jury's verdict" and uphold the verdict unless "the evidence permits only one reasonable conclusion, and that conclusion is contrary to the jury's verdict." *Wallace*, 479 F.3d at 624; Fed. R. Civ. P. 50(a). The jury's verdict here did not meet this standard. We affirm the district court's grant of Zillow's motion for judgment notwithstanding the verdict with respect to secondary infringement, both contributory and vicarious infringement.

#### **A. Contributory Liability**

Contributory liability requires that a party "(1) has knowledge of another's infringement and (2) either (a) materially contributes to or (b) induces that infringement." *Perfect 10, Inc. v. Visa Int'l Serv., Ass'n*, 494 F.3d 788, 795 (9th Cir. 2007). Zillow's actions do not satisfy the second prong—material contribution or inducement—so we do not address the first prong. See *Giganews*, 847 F.3d at 671.

In *Giganews*, we outlined the means of material contribution to infringement:

In the online context, . . . a "computer system operator" is liable under a material contribution theory of infringement "if it has actual knowledge



that specific infringing material is available using its system, and can take simple measures to prevent further damage to copyrighted works, yet continues to provide access to infringing works.”

*Id.* at 671 (quoting *Amazon*, 508 F.3d at 1172); *see also Ellison v. Robertson*, 357 F.3d 1072, 1078 (9th Cir. 2004) (applying this standard in the online context); *Napster*, 239 F.3d at 1022 (same); *Religious Tech. Ctr. v. Netcom On-Line Comm’n Servs., Inc.*, 907 F. Supp. 1361, 1375 (N.D. Cal. 1995) (same). There is insufficient evidence to support the contributory infringement verdict under the “simple measures” standard.

VHT’s position that “the jury could have reasonably decided that Zillow in fact had the means to identify and remove” the allegedly infringing images that VHT identified by property address, as opposed to their website designation or Uniform Resource Locator (“URL”), fails. Zillow testified throughout trial that, in order to systematically or swiftly take down a large number of photos, it required the Zillow Image ID—a number that is in the URL for each image. This stands to reason, because “Zillow receives multiple copies of the same photograph, depicting the same property, with the same listing agent, from different feeds.” Merely identifying the physical property address in no way identified the proper feed or the correct photo. Thus, Zillow did not have appropriately “specific” information necessary to take “simple measures” to remedy the violation.

VHT’s argument that Zillow is liable for failing to ask for the URLs of the allegedly infringing photos

also fails. Asking for the URLs was not Zillow’s duty under the contributory liability standard: Zillow must have “actual knowledge that specific infringing material is available using its system.” *Amazon*, 508 F.3d at 1172 (citation and quotation omitted). Zillow first reasonably asked to see the licenses between VHT and the feed providers; otherwise, Zillow could not assess ownership and rights in the undefined images. That Zillow did not proactively request a list of URLs before VHT filed suit does not make Zillow contributorily liable.

Additionally, Zillow’s failure to systematically use watermarking technology does not show there was a “simple measure” available that it failed to use. Even assuming there were “reasonable and feasible means” for Zillow to employ watermark detection technology, in practice VHT rarely watermarked its photos. *See Giganews*, 847 F.3d at 672 (citation and quotation omitted).

Nor did Zillow induce infringement. Inducement liability requires evidence of “active steps . . . taken to encourage direct infringement.” *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 936 (2005) (citation and quotation omitted). Evidence of active steps includes “advertising an infringing use or instructing how to engage in an infringing use,” because such evidence “show[s] an affirmative intent that the product be used to infringe.” *Id.*; *see also Columbia Pictures Industries, Inc. v. Fung*, 710 F.3d 1020, 1032 (9th Cir. 2013) (inducement liability requires “an object of promoting [the product’s] use to infringe copyright”). The “improper object” of infringement “must be plain and must be affirmatively

communicated through words or actions[.]” *Fung*, 710 F.3d at 1034.

In view of the evidence, “no reasonable juror could conclude [Zillow] distributed its product with the object of promoting its use to infringe copyright.” *Giganeews*, 847 F.3d at 672 (quotation and citation omitted). For example, Zillow’s generally applicable tools and messages for users to save more photos from the Listing Platform to Digs does not “promote[] the use of [Digs] specifically to infringe copyrights.” *Amazon*, 508 F.3d at 1170 n.11. Nor does evidence that Zillow sometimes makes mistakes about the display rights in a feed plainly communicate an improper object of infringement. Zillow corrects these inadvertent errors when it learns of them. Because a “failure to take affirmative steps to prevent infringement” alone cannot trigger inducement liability, the inducement claim is a particularly poor fit for Zillow’s real estate and home design websites, which have “substantial noninfringing uses.” *Grokster*, 545 U.S. at 939 n.12.

### **B. Vicarious Liability**

Neither does the vicarious liability theory fit the Zillow platform. To prevail on a vicarious liability claim, “[VHT] must prove ‘[Zillow] has (1) the right and ability to supervise the infringing conduct and (2) a direct financial interest in the infringing activity.’” *Giganeews*, 847 F.3d at 673 (quoting *Visa*, 494 F.3d at 802). The first element requires “both a legal right to stop or limit the directly infringing conduct, as well as the practical ability to do so.” *Amazon*, 508 F.3d at 1173. VHT’s vicarious infringement argument fails because, as the district court found, “Zillow ‘lack[ed]

the practical ability to police’ its users’ infringing conduct” on Digs.

As discussed with respect to contributory infringement, there was insufficient evidence that Zillow had the technical ability to screen out or identify infringing VHT photos among the many photos that users saved or uploaded daily to Digs. Regardless, such allegations do not fall under the vicarious liability rubric: Zillow’s “failure to change its operations to avoid assisting [users] to distribute . . . infringing content . . . is not the same as declining to exercise a right and ability to make [third parties] stop their direct infringement.” *Amazon*, 508 F.3d at 1175.

Our conclusion is consistent with earlier dicta that “the vicarious liability standard applied in *Napster* can be met by merely having the general ability to locate infringing material and terminate users’ access.” *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 718 F.3d 1006, 1030 (9th Cir. 2013) (emphasis added). Once VHT photos were uploaded to the Listing Platform with appropriate certification of rights, ferreting out claimed infringement through use on Digs was beyond hunting for a needle in a haystack. As the district court concluded, “the trial record lacks substantial evidence of a practical ability to limit direct infringement for the same reasons it lacks substantial evidence of simple measures to remove infringing material.” And linking a claimed infringement to a feed provider was even more of an impossibility.

We affirm the district court’s judgment notwithstanding the verdict concluding that substantial evidence did not support the claim that

Zillow secondarily infringed VHT's exclusive rights in its photos.

### **III. Damages**

#### **A. Compilation**

The size of the damages award hinges on whether VHT's photos used on Digs are part of a "compilation" or if they are individual photos. This distinction makes a difference. If the VHT photo database is a "compilation," and therefore one "work" for the purposes of the Copyright Act, then VHT would be limited to a single award of statutory damages for Zillow's use of thousands of photos on Digs. 17 U.S.C. § 504(c)(1). But if the database is not a compilation, then VHT could seek damages for each photo that Zillow used.

In lieu of actual damages, a copyright holder may elect to receive statutory damages under the Copyright Act. 17 U.S.C. § 504(c)(1). VHT did so. The Act provides for "an award of statutory damages for all infringements involved in the action, with respect to any one work . . . in a sum of not less than \$750 or more than \$30,000." *Id.* This provision ties statutory damages to the term "work," which is undefined, except in a circular manner: copyright law protects "original works of authorship." 17 U.S.C. § 102(a). Fortunately, there is a definition of compilation: "a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship." 17 U.S.C. § 101. For purposes of statutory damages, "all the parts of a compilation. . . constitute one work." 17 U.S.C. § 504(c)(1). "The

question of whether a work constitutes a ‘compilation’ for the purposes of statutory damages pursuant to Section 504(c)(1) of the Copyright Act is a mixed question of law and fact.” *Bryant v. Media Right Prods., Inc.*, 603 F.3d 135, 140 (2d Cir. 2010).

Whether various VHT photo collections comprise one or more compilations is a threshold damages question. Before trial, Zillow asked for a legal determination on the compilation issue. That motion was denied. However, the district court did not make an explicit determination about compilation and the specifics of compilation were not put before the jury. In fairness to the district court, we might infer from the transcript that there was an implicit determination as to whether VHT’s photos are part of a compilation, but we are left in doubt. Instead, the jury was instructed that “[e]ach VHT Photo that has independent economic value constitutes a separate work.” On the verdict form, the jury was asked which “photographs have independent economic value.”

The notion of “independent economic value” derives not from the statute, but from case law. In the Ninth Circuit, the question of whether something—like a photo, television episode, or so forth—has “independent economic value” informs our analysis of whether the photo or episode is a work, though it is not a dispositive factor. *See Columbia Pictures Television, Inc. v. Krypton Broad. of Birmingham, Inc.*, 259 F.3d 1186, 1193 (9th Cir. 2001). But consideration of the independent economic value factor does not answer the question whether something is a compilation. That question remains unanswered here.

On appeal, the parties have polar opposite views on whether there was a compilation (Zillow’s position) or

whether each photo is entitled to a separate damages award (VHT's position). VHT registered thousands of photos as compilations. But the Copyright Office warns that such a registration "may" limit the copyright holder "to claim only one award of statutory damages in an infringement action, even if the defendant infringed all of the component works covered by the registration." U.S. Copyright Office, Compendium Of U.S. Copyright Office Practices § 1104.5 (Sept. 2017), <https://www.copyright.gov/comp3/docs/compendium.pdf>. Though the registration label is not controlling, it may be considered by the court when assessing whether a work is a compilation. See *Yellow Pages Photos, Inc. v. Ziplocal, LP*, 795 F.3d 1255, 1277 (11th Cir. 2015) ("Although the manner of copyright registration is not dispositive of the works issue, this Court has previously considered it to be at least a relevant factor."). Ultimately, what counts is the statutory definition.

Because there were at least ten different copyright registrations, thousands of photos, and no explicit determination on compilation, we decline to sort out the compilation issue on appeal. We remand to the district court for further proceedings as to whether the VHT photos remaining at issue were a compilation.

### **B. Willfulness**

The jury found that Zillow willfully infringed exclusive rights to 3,373 searchable VHT photos that were eligible for statutory damages. The district court largely upheld the willfulness finding in its post-trial motions order. However, the court granted Zillow judgment notwithstanding the verdict on 673 images

that were not displayed, so the court's final willfulness judgment applied to 2,700 searchable photos on Digs.

To uphold a jury's willfulness finding, there must be substantial evidence "(1) that the [the infringing party] was actually aware of the infringing activity, or (2) that the [infringing party's] actions were the result of reckless disregard for, or willful blindness to, the copyright holder's rights." *Unicolors*, 853 F.3d at 991 (citation and quotation omitted). Under the second prong, willful blindness requires that the infringing party "(1) subjectively believed that infringement was likely occurring on their networks and that they (2) took deliberate actions to avoid learning about the infringement." *Luvdarts, LLC v. AT&T Mobility, LLC*, 710 F.3d 1068, 1073 (9th Cir. 2013). Reckless disregard can be demonstrated, for example, when a party "refus[es], as a matter of policy, to even investigate or attempt to determine whether particular [photos] are subject to copyright protections." *Unicolors*, 853 F.3d at 992. A finding of willfulness has significant financial consequences—the jury may increase damages up to \$150,000 per violation. *See* 17 U.S.C. § 504(c)(2).

As noted with respect to infringement, we do not take lightly the decision to reverse a jury verdict, nor do we cavalierly set aside the district court's thoughtful analysis. But here, we are compelled to disagree with both because substantial evidence does not support willfulness as to the 2,700 photos.

The test for willfulness is in the alternative: either actual notice or recklessness shown by reckless disregard or turning a blind eye to infringement. We turn first to actual notice. That VHT provided Zillow with minimal notice of infringement does not itself



establish that any subsequent infringement was willful. Rather, “[c]ontinued use of a work even after one has been notified of his or her alleged infringement does not constitute willfulness so long as one believes reasonably, and in good faith, that he or she is not infringing.” *Evergreen Safety Council v. RSA Network Inc.*, 697 F.3d 1221, 1228 (9th Cir. 2012); *see also Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 959 (9th Cir. 2001) (“It would seem to follow that one who has been notified that his conduct constitutes copyright infringement, but who reasonably and in good faith believes the contrary, is not ‘willful’ for these purposes.”) (quoting 4 Mawr On Copyright § 14.04[B][3]).

Such is the case here. Zillow’s agreements with its feed providers grant it an express license to use, copy, distribute, publicly display, and create derivative works for each photo, and the agreements include unambiguous representations by the feed providers that they have the authority to assign such rights. Zillow developed procedures to identify *ex ante* the scope of its license for each uploaded photo and employed automated protocols to manage the use of each photo consistent with its evergreen or deciduous designation. At no point during their year of communications prior to issuance of the notice letter did VHT raise the specter of infringement. Notably, VHT’s eventual notice was minimal: one letter with a list of allegedly infringing photos, designated by residential street address, not web address.

The notion that Zillow failed to take appropriate responsive measures after receiving this notice is belied by the record. Zillow immediately requested information to confirm VHT’s copyright ownership

and cross-reference the photos with licensing information. VHT was not forthcoming with that information. Rather, in response, VHT offered merely an unsigned form contract. Instead of providing helpful information, VHT then filed suit. Given the limited information provided by VHT, Zillow could not reasonably be expected to have promptly and unilaterally removed each flagged photo. As the district court noted, VHT failed to demonstrate there were simple measures available for the removal of infringing photos or that Zillow had any “practical ability to independently identify infringing images.”

Thus, we are compelled to conclude that substantial evidence does not show Zillow was “actually aware” of its infringing activity. See *Evergreen Safety Council*, 697 F.3d at 1228. Zillow’s belief that feed providers had properly licensed its uses and that its system effectively respected those rights was reasonable. And, as the district court observed, “[t]he record suggests no reason to conclude that Zillow maintained that position in bad faith, and Zillow’s non-infringement contention proved accurate as to most of the images at issue in this lawsuit.”

We reach the same conclusion as to whether Zillow recklessly disregarded or willfully blinded itself to its infringement. In reaching an opposite conclusion, the district court observed that Zillow did not “perform[] further investigation into the rights each [feed provider] possesses,” nor did it “t[ake] responsive measures to obtain further information” after VHT provided the minimal notice of potential infringement. That conclusion is at odds with the evidence, for the reasons outlined above.

VHT's argument that Zillow, a sophisticated business with a robust legal team, should have known that its feed provider license agreements were invalid is unavailing. VHT argues that when Zillow saw the non-exclusive grant of rights in VHT's unsigned form contract, showing that the feed providers did not have a right to sublicense, Zillow should have known the licenses were invalid. Despite requests for such information, Zillow did not have access to VHT's executed licenses with the feed providers who furnished VHT's photos to Zillow. Access to a blank form contract (that the district court earlier found ambiguous as a matter of law) is not enough. We conclude that substantial evidence does not show Zillow was "reckless or willfully blind" as to its infringement. We reverse the district court and vacate the jury's finding of willful infringement.

#### **IV. Conclusion**

We affirm the district court's summary judgment in favor of Zillow on direct infringement of the Listing Platform photos. With respect to direct liability on the Digs photos, we affirm the district court's grant of judgment notwithstanding the verdict on the 22,109 non-displayed photos and the 2,093 displayed but not searchable photos. We uphold summary judgment in favor of VHT on the 3,921 displayed, searchable photos.

We affirm the district court's judgment notwithstanding the verdict on secondary liability, both contributory and vicarious, on the Digs photos.

We reverse the district court's denial of judgment notwithstanding the verdict on the issue of willfulness and vacate the jury's finding on willfulness.

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We remand consideration of the compilation issue to the district court.

**Affirmed in part, reversed in part and remanded. Each party shall pay its own costs on appeal.**

**APPENDIX B**

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

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VHT, INC.,

Plaintiff,

v.

ZILLOW GROUP, INC., et al.,

Defendants.

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CASE NO. C15-1096JLR

ORDER

**(PRELIMINARILY FILED UNDER SEAL)**

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**I. INTRODUCTION**

Before the court are multiple motions by Plaintiff VHT, Inc. (“VHT”), and Defendants Zillow Group, Inc., and Zillow, Inc. (collectively, “Zillow”). Zillow moves for judgment on the pleadings based on VHT’s purported failure to join indispensable parties. (MJOP (Dkt. ## 98, 99); *see also* MJOP Resp. (Dkt. # 116); MJOP Reply (Dkt. # 118).) Zillow also moves for summary judgment on all five of VHT’s copyright infringement claims. (Zillow MPSJ (Dkt. # 129); *see also* VHT MPSJ Resp. (Dkt. ## 171 (sealed), 173 (redacted)); Zillow MPSJ Reply (Dkt. # 181).) VHT cross-moves for summary judgment as to liability on its copyright infringement claims and seeks summary

judgment on Zillow's four counterclaims. (VHT MPSJ (Dkt. ## 137 (redacted), 141 (sealed)); *see also* Zillow MPSJ Resp. (Dkt. # 168); VHT MPSJ Reply (Dkt. # 179).)

Zillow also seeks to exclude the expert testimony of Robert Henson, VHT's expert on fair market value. (Zillow Expert Mot. (Dkt. # 125); *see also* VHT Expert Resp. (Dkt. # 157); Zillow Expert Reply (Dkt. # 167).) VHT seeks to exclude all three of Zillow's expert witnesses: Patrick Gannon, Jeffrey Sedlik, and Jon Vogel. (VHT Expert Mot. (Dkt. # 131); *see also* Zillow Expert Resp. (Dkt. # 159); VHT Expert Reply (Dkt. # 166).) In addition, the parties have filed a multitude of motions to seal various documents. (Mots. to Seal (Dkt. ## 127, 134, 136, 162, 170, 197, 204).)

The court has considered the parties' motions and briefing, the relevant portions of the record, and the applicable law. In addition, the court held oral argument on December 21, 2016. Considering itself fully advised, the court GRANTS in part, DENIES in part, and DEFERS in part the various motions as detailed herein.

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*[APPENDIX EXCERPTED TO INCLUDE ONLY  
MATERIAL RELEVANT TO THIS PETITION]*

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#### 4. VHT's Direct Infringement Claims

A copyright confers on its owner the exclusive right to reproduce, prepare derivative works based on, distribute, and publicly display copies of the work. 17 U.S.C. § 106; *see also Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 817 (9th Cir. 2002). To prove

direct copyright infringement, VHT “must show ownership of the copyright and copying by” Zillow. *Kelly*, 336 F.3d at 817. Because copyright infringement is a strict liability tort, Zillow’s mental state is irrelevant to its liability. *UMG Recordings, Inc. v. Disco Azteca Distribs., Inc.*, 446 F. Supp. 2d 1164, 1172 (E.D. Cal. 2006). However, direct infringement requires “some element of volition or causation.” *Religious Tech. Ctr. v. Netcom On-Line Commc’n Servs., Inc.*, 907 F. Supp. 1361, 1369-70 (N.D. Cal. 1995) (“Although copyright is a strict liability statute, there should still be some element of volition or causation[,] which is lacking where a defendant’s system is merely used to create a copy by a third party.”).<sup>14</sup>

To prevent “overzealous monopolists” from using copyrights “to stamp out the very creativity that the [Copyright] Act seeks to ignite . . . , Congress codified the doctrine of fair use.” *SOFA Entm’t, Inc. v. Dodger*

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<sup>14</sup> See also *Fox Broad. Co. v. Dish Network L.L.C.*, 747 F.3d 1060, 1067 (9th Cir. 2013) (quoting *Kelly*, 336 F.3d at 817) (citing *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 130 (2d Cir. 2008) [hereinafter, “*Cablevision*”]) (“Infringement of the reproduction right requires ‘copying by the defendant,’ which comprises a requirement that the defendant cause the copying.” (emphasis in original) (internal citations omitted)); *Cablevision*, 536 F.3d at 130-31 (analyzing *Netcom* and adopting its volitional act holding for purposes of direct infringement); *CoStar Grp., Inc. v. LoopNet, Inc.*, 373 F.3d 544, 551 (4th Cir. 2004) (concluding that the *Netcom* court “made a particularly rational interpretation of [Section] 106,” especially when “applied to cyberspace,” when the court “concluded that a person had to engage in volitional conduct—specifically, the act constituting infringement—to become a direct infringer”); *Field v. Google, Inc.*, 412 F. Supp. 2d 1106, 1115 (D. Nev. 2006) (citing *Netcom*, 907 F. Supp. at 1369-70).

*Prods., Inc.*, 709 F.3d 1273, 1278 (9th Cir. 2013) (citing *Stewart v. Abend*, 495 U.S. 207, 236 (1990)). Notwithstanding the proscriptions of Section 106, “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. “In determining whether the use made . . . is a fair use,” the court considers the following nonexclusive 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.” *Id.*; see *Stewart*, 495 U.S. at 237 (confirming that the factors are “nonexclusive”).

Zillow contends that based on the volitional act doctrine and the fair use defense, it is entitled to summary judgment on VHT’s direct infringement claims. (See Zillow MPSJ at 6-19.) VHT refutes both arguments (VHT MPSJ Resp. at 7-26) and moves for summary judgment as to liability on its direct infringement claims (VHT MPSJ at 13-19).

*a. Volitional Act Doctrine*

Zillow argues that with a “relatively small number of exceptions”<sup>15</sup> (Zillow MPSJ at 10), VHT

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<sup>15</sup> “Zillow does not contend that the volitional act doctrine applies to the relatively small number of VHT images that it initially selected and were displayed on Digs.” (Zillow MPSJ at 10.) Accordingly, the court’s analysis of the volitional act doctrine sets



cannot prove that Zillow took the volitional acts required to constitute direct infringement (*id.* at 6-13). VHT responds that the volitional act doctrine, to the extent it remains viable, does not preclude Zillow’s direct liability simply because Zillow designed infringing systems that operate automatically. (VHT MPSJ Resp. at 7-14.)

As a threshold matter, the court addresses the continued viability of the volitional act (or volitional conduct) doctrine following *American Broadcasting Companies, Inc. v. Aereo, Inc.*, --- U.S. ---, 134 S. Ct. 2498 (2014), a recent Supreme Court decision upon which VHT bases much of its argument. (*See* MPSJ Resp. at 7-9.) The *Aereo* majority’s opinion largely takes up a legislative amendment to the Transmit Clause of the Copyright Act and does not expressly address the volitional act doctrine. *See* 134 S. Ct. at 2502-11. Indeed, the majority specifically renounces extending its “limited holding” to “other technologies” that fall outside the Transmit Clause. *Id.* at 2510.

On the other hand, Justice Scalia’s dissent, which Justice Thomas and Justice Alito join, fervently defends the continued viability of the volitional act doctrine. *Id.* at 2512-14 (Scalia, J., dissenting). Moreover, the “majority’s analysis can be reconciled with the volitional-conduct requirement for direct infringement” because the majority held that “the distinction between active and passive participation

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aside those images. However, the record does not indicate the exact number of those images that VHT has copyrighted. (*Compare* Gurney Dep. at 157:25-158:5 (indicating that Zillow used “approximately 20,000” total images to found Digs), *with* Zillow MPSJ Resp. at 6 (asserting that “only about 1000 of those images belong to VHT”).)

remains a central part of the analysis of an alleged infringement.” *Fox Broad. Co. v. Dish Network LLC*, 160 F. Supp. 3d 1139, 1159-60 (C.D. Cal. 2015) [hereinafter, “*Fox II*”]. Accordingly, the court agrees with the *Fox II* court that “it would be folly to assume that *Aereo* categorically jettisoned [the volitional act doctrine] by implication.” *Id.* at 1159-60; *see also id.* at 1169 (“*Aereo* did not fundamentally alter the volitional conduct requirement for direct infringement. More than one actor may be liable for direct infringement, but there must still be some volitional conduct for direct liability.”). Whether the volitional act doctrine precludes Zillow’s liability for direct infringement therefore remains a core issue in this case.

The court first rejects VHT’s characterization of Zillow’s website as designed “to allow users to trigger automated systems to conduct infringing acts.” (VHT MPSJ Resp. at 7 (citing *Aereo*, 134 S. Ct. 2498).) VHT is correct that a defendant cannot hide behind the volitional act doctrine by designing software that—although automated—“is designed so that third parties may infringe on copyrighted material.” 4 Nimmer on Copyright § 13.08(C)(3)(a); *Aereo*, 134 S. Ct. at 2510-11; *Smith v. BarnesandNoble.com, LLC*, 143 F. Supp. 3d 115, 122 (S.D.N.Y. 2015) (“Courts have looked to the purpose and general use of the service in question, finding ‘volitional conduct’ where a service or program was designed solely to collect and sell copyrighted material, . . . and where a program collected material that its creators knew to be copyrighted.” (internal citations omitted)). However, Zillow’s mechanisms—including its evergreen and deciduous classifications—are designed to avoid infringing behavior, not facilitate it. Zillow requires its

users to certify the extent to which they possess rights to utilize the photographs that they upload. (Kutner Decl. ¶ 6.) Zillow classifies every photograph that a customer uploads as either evergreen or deciduous, and Zillow designed its automated system to treat photographs accordingly. (*Id.* ¶¶ 7-8; *see also id.* ¶ 14 (indicating that Zillow moderators review images posted to Digs to confirm “that it contained no watermarks or other artifacts and was otherwise of reasonably high quality”).) This system is no more designed to facilitate infringement than a copy machine. *See Netcom*, 907 F. Supp. at 1368-69; *see also CoStar Grp., Inc. v. LoopNet, Inc.*, 373 F.3d 544, 550 (4th Cir. 2004) (reasoning that a web host for real estate listings “is an analogue to the owner of a traditional copying machine whose customers pay a fixed amount per copy and operate the machine themselves to make copies”); *BarnesandNoble.com*, 143 F. Supp. 3d at 122; *Perfect 10, Inc. v. Giganews, Inc.*, No. CV11 07098 AHM (SHx), 2013 WL 2109963, at \*7 (C.D. Cal. Mar. 8, 2013) (“To use *Netcom*’s analogy, Defendants here created virtual copy machines that some . . . users have used to create illegal copies. . . . Such conduct does not constitute any volitional act.”).

VHT also specifically assails the “trumping rules” that Zillow instituted to determine how to classify a photograph.<sup>16</sup> (*See, e.g.*, MPSJ at 10-11.) Zillow allows

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<sup>16</sup> One type of trumping rule that Zillow implements merely determines what type of source to prefer over another—for example, an agent over an MLS and a local broker over an international broker. (Bonert Dep. at 26:10-18, 31:3-25.) This mechanism is unrelated to the direct copyright infringement that VHT alleges.

any indication that a given photograph is evergreen to trump any number of other sources that indicate that the same photograph is deciduous. (10/25/16 Kutner Decl. ¶¶ 6-8.) VHT asserts that this procedure removes Zillow’s automated process from the protection of the volitional act doctrine. (VHT MPSJ Resp. at 11.) To the contrary, Zillow’s procedure merely acknowledges that different customers may have different licenses to use the same photograph, and whatever knowledge might be imputed to Zillow from the conflicting licenses is irrelevant to the strict liability tort of direct copyright infringement. *See Giganews*, 2013 WL 2109963, at \*8 (“A participant in the chain of events that ultimately allows viewers to obtain infringed material does not become the ‘direct cause’ of the copying merely because he learns of it.”); *BarnesandNoble.com*, 143 F. Supp. 3d at 123 (“This sets the instant case apart from those in which defendants were found to have engaged in volitional conduct even though a user or customer ‘presses the button’ to make the copy; in those cases, defendants actively encouraged and benefited from the infringing copying activity and in fact set up their services around such activity.”). The court therefore rejects the argument that Zillow’s trumping rules constitute an act of volition for purposes of VHT’s direct copyright infringement claims.

However, Zillow’s agents and systems take several Digs-specific actions that cross the line into volitional conduct. First of all, when a user selects a photograph to post to Digs, Zillow performs a cursory human review for quality and obvious copyright issues. (*See* 10.25.16 Kutner Decl. ¶ 14; 3d Am. Compl. ¶¶ 114, 127 (citing 17 U.S.C. § 106(1)-(3), (5)).) The review for obvious copyright issues “tends only to lessen the possibility” that users will unlawfully reproduce

copyrighted works. *CoStar*, 373 F.3d at 556 (characterizing a comparable manual review as a “perfunctory gatekeeping process [that] furthers the goals of the Copyright Act,” and concluding that without more, such conduct could not generate direct liability). In other words, it “does not attempt to search out or select photographs for duplication; it merely *prevents* users from duplicating certain photographs.” *Id.* Zillow “has not by this screening process [alone] become engaged” as a direct infringer of copyrighted works. *Id.*

However, Digs moderators also perform several tasks unrelated to avoiding copyright infringement. The moderators “confirm users’ classification of the type of room depicted in a photograph, and tag the location and identity of image elements.” (10.25.16 Kutner Decl. ¶ 15.) This tagging allows Zillow to code the images such that Zillow users may “request an image for display” and click the image “to show links to purchase the depicted products.” (*Id.*) Moderators also review prospective Digs images to confirm they are “beautiful, inspiring, interesting, unique, or affordable.” (11/14/16 Hensley Decl. ¶ 22, Ex. 21 at Zillow0074168-2.) If a moderator concludes an image is too small, cluttered, dark, basic, or “spam-like,” the moderator flags the image to ensure it is not posted publically on Digs. (*Id.* at Zillow0074168-3.)

In addition, Zillow designed Digs to “implicitly dig” images. (Gurney Dep. at 38:25-39:13.) This functionality saves images to Digs when users begin but fail to complete the “digging” process. (*Id.*) In that instance, Zillow may properly be deemed the selector of the content for copying. *See Aereo*, 134 S. Ct. at 2513 (Scalia, J., dissenting) (concluding that volition “will

come down to who selects the copyrighted content: the defendant or its customers”). The combination of the “implicit digs” functionality and human moderation leads the court to conclude that as to Digs, Zillow actions are “sufficiently proximate to the copying to displace the customer as the person who ‘makes’ the copies.” *Cablevision*, 536 F.3d at 132.

In sum, the lack of evidence of volitional conduct by Zillow precludes its liability for direct infringement on HDPs. *See Aereo*, 134 S. Ct. at 2514 (Scalia, J., dissenting) (“The distinction between direct and secondary liability would collapse if there were not a clear rule for determining whether the *defendant* committed the infringing act.”). The court therefore grants Zillow’s motion for summary judgment as to direct infringement on HDPs. However, several aspects of Digs evince the requisite volitional conduct required for direct liability. The court therefore denies summary judgment on that basis and proceeds to analyze whether fair use applies to the photographs that Zillow makes searchable on Digs.

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*[APPENDIX EXCERPTED TO INCLUDE ONLY  
MATERIAL RELEVANT TO THIS PETITION]*

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**APPENDIX C**

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

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VHT, INC.,

Plaintiff,

v.

ZILLOW GROUP, INC., et al.,

Defendants.

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CASE NO. C15-1096JLR

ORDER

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**I. INTRODUCTION**

Before the court are two post-trial motions: Defendants Zillow Group, Inc., and Zillow, Inc.'s (collectively, "Zillow") motion for judgment notwithstanding the verdict or for a new trial (JNOV Mot. (Dkt. # 301)); and Plaintiff VHT, Inc.'s motion to amend the judgment to add a permanent injunction (Inj. Mot. (Dkt. # 300)). VHT opposes Zillow's motion (JNOV Resp. (Dkt. # 304)), and Zillow opposes VHT's motion (Inj. Resp. (Dkt. # 302)). The court has reviewed the parties' submissions in support of and opposition to the motions, the relevant portions of the record, and the applicable law. Considering itself fully

advised,<sup>1</sup> the court GRANTS in part and DENIES in part Zillow's motion, DENIES VHT's motion, and DIRECTS the parties to meet and confer, file a statement, and attend a status conference as detailed below.

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*[APPENDIX EXCERPTED TO INCLUDE ONLY  
MATERIAL RELEVANT TO THIS PETITION]*

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**A. Zillow's Motion for Judgment  
Notwithstanding the Verdict**

Zillow contends that it is entitled to judgment notwithstanding the verdict with respect to the vast majority of the VHT Photos. (JNOV Mot. at 7:16-13:25.) Zillow reaches this conclusion by whittling the field of VHT Photos on which, in Zillow's estimation, VHT presented sufficient evidence of direct infringement. (*See id.*) Specifically, Zillow argues that the 22,109 VHT Photos that Zillow never displayed on Digs only plausibly violated the reproduction right, *see* 17 U.S.C. § 106(1), and VHT failed to present sufficient evidence that Zillow caused the reproduction of any undisplayed VHT Photos (JNOV Mot. at 8:5-10:11). In the alternative, Zillow contends that it is entitled to judgment notwithstanding the verdict on its fair use affirmative defense as it pertains to the 22,109 undisplayed VHT Photos. (*Id.* at 20:6-21:20.)

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<sup>1</sup> Neither VHT nor Zillow requests oral argument on either motion, and the court determines that oral argument is not necessary. *See* Local Rules W.D. Wash. LCR 7(b)(4).



6,015 of the remaining 6,016 VHT Photos were undisputedly displayed on Digs. (*See* Ex. 512 at Column AW.) However, Zillow argues that of those 6,015 displayed VHT Photos, 2,094 VHT Photos were non-searchable and therefore no evidence shows Zillow caused them to be copied. (JNOV Mot. at 10:11-13:25.) Finally, Zillow argues that no evidence shows whether 3,438 of the searchable VHT Photos went through any moderation by Zillow, and Zillow therefore concludes that the direct infringement verdict cannot stand as to those images. (*Id.*)

By excluding the 22,109 undisplayed VHT Photos; the 2,094 non-searchable, displayed VHT Photos (including the image that Zillow also sent in an email); the 3,438 unmoderated, displayed VHT Photos; and the one VHT Photo included in a blog, Zillow contends that it is entitled to judgment notwithstanding the verdict on VHT's direct infringement claims regarding all but the 483 remaining VHT Photos. (*See* JNOV Mot. at 2 n.1; JNOV Reply (Dkt. # 307) at 1:1-5.)

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## 2. Direct Infringement

Zillow's argument regarding VHT's direct infringement claims relies heavily on *Perfect 10, Inc. v. Giganeews, Inc.*, 847 F.3d 657 (9th Cir. 2017), which the Ninth Circuit issued the day trial began.<sup>11</sup> In

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<sup>11</sup> VHT points out that as of the filing of its response, the Ninth Circuit had not yet determined whether to rehear *Giganeews* en

*Giganeews*, the Ninth Circuit clarified several bedrock aspects of copyright infringement liability. *See generally id.* Most relevant to VHT’s direct infringement claims, the Ninth Circuit confirmed that direct copyright infringement has a causation component, often referred to as “volitional conduct,” that a plaintiff must prove. *Id.* at 666. “‘Volition’ in this context does not really mean an ‘act of willing or choosing’ or an ‘act of deciding,’ . . . .” *Id.* (quoting *Volition*, Webster’s Third New International Dictionary (1986)). “Rather, . . . it ‘simply stands for the unremarkable proposition that proximate causation historically underlines copyright infringement liability no less than other torts.’” *Id.* (quoting 4 Nimmer on Copyright § 13.08(c)(1) (2016) (Matthew Bender, Rev. Ed.)).

“The volitional-conduct requirement is not at issue in most direct-infringement cases; the usual point of dispute is whether the defendant’s conduct is infringing (*e.g.*, Does the defendant’s design copy the plaintiff’s?), rather than whether the defendant has acted at all (*e.g.*, Did this defendant create the infringing design?).” *Am. Broad. Cos. v. Aereo, Inc.*, --- U.S. ---, 134 S. Ct. 2498, 2513 (2014) (Scalia, J., dissenting). But where, as here, “a direct-infringement claim is lodged against a defendant who [arguably] does nothing more than operate an automated, user-controlled system,” the volitional-conduct—or proximate causation—requirement “comes right to the fore.” *Id.* Due to the timing of the *Giganeews* decision,

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banc. (VHT Resp. at 1 n.1 (citing *Perfect 10, Inc. v. Giganeews, Inc.*, No. 15-55500 (9th Cir.), Dkt. # 123).) The Ninth Circuit subsequently denied the petition for rehearing. *See Giganeews*, No. 15-55500, Dkt. # 137.

much of the dispute over Zillow’s direct infringement claims turns on pure questions of law as opposed to the sufficiency of the evidence. (*See generally* JNOV Mot.; JNOV Resp.; JNOV Reply.) The court now turns to those arguments.

*a. Clarifying the Parties’ Burdens*

Before turning to each category of the VHT Photos that Zillow raises, the court clarifies an implicit disagreement underlying the parties’ briefing on this issue. In its response, VHT repeatedly refers generally to Zillow’s volitional conduct or seeks to impute Zillow’s volitional conduct as to one category of images to another category of images or to Digs writ large.<sup>12</sup> Some of VHT’s arguments in this vein refer to the court’s previous rulings in this case.<sup>13</sup>

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<sup>12</sup> (*See, e.g.*, JNOV Resp. at 5 n.5 (“Zillow’s actions with respect to Digs greatly exceed the conduct of web hosts in other cases where courts found insufficient volitional conduct for direct liability.”), 5:25-6:1 (“Unlike the *Giganews* site (or similar passive websites), Zillow exercised significant control over the content available to be added to Digs . . .” (internal footnote omitted)), 6:9-7:1 (“Zillow also exercised significant control over many other aspects of the Digs platform . . . . While some of those volitional acts apply only to searchable images, many others do not, and regardless of that distinction, Zillow’s design, launch, and operation of Digs are a far cry from Perfect 10’s passive activities in *Giganews*.”).

<sup>13</sup> (*See, e.g.*, JNOV Resp. at 7:2-16 (citing 12/23/16 Order at 31:3-32:11) (“As this Court expressly recognized in denying Zillow’s motion for summary judgment with respect to Digs, website hosts like Zillow cannot evade liability for direct infringement merely because some portions of its services are automated or user generated; if the host itself engages in at least ‘some’ volitional act related to the infringement, it can be held directly liable.”), 9:3-5 (citing 12/23/16 Order at 31:3-32:11) (“Finally, with respect to the display right, the undisputed evidence established that

VHT's burden in opposing Zillow's motion is to identify legally sufficient evidence to uphold the jury's verdict on the issues Zillow challenges. *See Ostad*, 327 F.3d at 881; *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150 (2000) (equating the court's analysis under Rule 50 to its analysis under Rule 56). As the court has discussed, the parties litigated this unwieldy case by stipulating to the number of VHT Photos at issue and certain pertinent characteristics of each VHT Photo. (*See* Ex. 512; Ex. 600 ¶ 12.) Those stipulated categories and characteristics are a part of the evidentiary record. (*See* Ex. 512.) To support the jury's entire verdict, however, VHT cannot merely show legally sufficient evidence that Zillow took volitional conduct toward some subset of the VHT Photos. *See Giganews*, 847 F.3d at 666. Rather, VHT must show substantial evidence of volitional conduct as to each category of the VHT Photos that Zillow challenges. *Weaving*, 763 F.3d at 1111; *see Giganews*, 847 F.3d at 666; *Landes Constr.*, 833 F.2d at 1371. Of course, that evidence may overlap to the extent reasonable inference permits. *Ostad*, 327 F.3d at 881.

In its summary judgment order, the court concluded that "several Digs-specific actions," including design moderation and implicit digs, "cross the line into volitional conduct." (12/23/16 Order at 31:3-4.) The summary judgment record and briefing did not permit for further parsing of the VHT Photos.<sup>14</sup>

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Zillow engaged in multiple volitional acts, as this Court recognized on summary judgment.")

<sup>14</sup> Indeed, the parties did not agree regarding how many images fell into each subcategory until the middle of trial. (*Compare*

The court accordingly denied summary judgment as to all of the Digs-related images—the VHT Photos, as defined herein—and granted summary judgment in Zillow’s favor as to whether Zillow infringed the images unrelated to Digs. (12/23/16 Order at 32:12-20); *see also supra* n.2. At various points, VHT apparently seeks to impute to all of the VHT Photos the court’s summary judgment rulings regarding certain conduct that a reasonable factfinder could deem a volitional act. (*See, e.g.*, JNOV Resp. at 7:2-16.) Again, part of VHT’s burden at trial was to present legally sufficient evidence that Zillow caused the copying of each VHT Photo. *See Giganews*, 847 F.3d at 666. Where VHT failed to do so, the court’s summary judgment rulings are of no moment.

Having clarified the parties’ respective burdens and the impact of the court’s previous rulings, the court analyzes each category of the VHT Photos that Zillow challenges in its motion.

*b. Undisplayed VHT Photos*

Zillow first argues that it did not cause the copying of—and therefore did not directly infringe—the 22,109 undisplayed VHT Photos. (JNOV Mot. at 7:17-10:11; 2/7/17 Trial Tr. at 91:11-92:8; Ex. A-490; Ex. 512 at Column AW; Summ. Image SS.) VHT responds by identifying Zillow’s supposedly volitional—and therefore legally sufficient—conduct. (JNOV Resp. at 4:8-10:11.) VHT pursued direct liability claims at trial for infringement of its reproduction right; right to prepare derivative works, also known as the

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Pretrial Order at 2:7-3:2, *and* Prelim. JIs (Dkt. # 245) at 4:10-11, *with* Summ. Image SS (Dkt. # 256-1) at 1 (submitted on January 30, 2017), *and* Final JIs at 20:2-3, *and* Ex. 600 ¶ 9.)

adaptation right; distribution right; and display right. (See Pretrial Ord. at 2:7-10; Final JIs at 19:2-8); 17 U.S.C. § 106(1)-(3), (5). The court addresses the sufficiency of the evidence presented at trial as to each of these four protected rights.

i. Reproduction Right

VHT points to several pieces of evidence in support of its claim that Zillow directly infringed the reproduction right in the undisplayed VHT Photos. (JNOV Resp. at 7:16-8:9.) For the following reasons, the court rejects VHT's contention that this evidence is legally sufficient.

VHT first points out that Zillow "made the decision to create 16 Digs-specific copies of each photo added to Digs and wrote the algorithms to cause those copies to be created." (*Id.* at 7:21-24; *see also* 2/2/17 Trial Tr. at 86:8-88:17, 109:12-111:11; Ex. 302.) The number of copies Zillow designed its systems to create has no bearing on causation. *See Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs., Inc.*, 907 F. Supp. 1361, 1369 (N.D. Cal. 1995). Rather, the system that created 16 Digs-specific copies of whatever image the user selected is analogous to a copy machine that produces 16 different-sized images each time a user places an image in it and hits the copy button. *See id.* ("Netcom's act of designing or implementing a system that automatically and uniformly creates temporary copies of all data sent through it is not unlike that of the owner of a copying machine who lets the public make copies with it. Although some of the people using the machine may directly infringe copyrights, courts analyze the machine owner's liability under the rubric of contributory infringement, not direct infringement." (internal footnote omitted)); *see also Giganews*, 847

F.3d at 670 (agreeing with and adopting this reasoning); *CoStar Grp., Inc. v. LoopNet, Inc.*, 373 F.3d 544, 550 (4th Cir. 2004) (concluding that to hold an entity liable for direct infringement, “something more must be shown than mere ownership of a machine used by others to make illegal copies”). The number and size of the copies is irrelevant to what entity or entities—Zillow, its users, or some combination—proximately caused the infringement of VHT’s reproduction right. *See Giganews*, 847 F.3d at 666.

VHT also points to evidence that Zillow “engaged in volitional conduct when it decided to change course and allow reproduction of Digs-specific copies of so-called deciduous images.” (JNOV Resp. at 8:6-8; 2/2/17 Trial Tr. at 81:22-86:7, 118:16-119:24; 2/7/17 Trial Tr. at 74:20-75:5, 104:16-25, 106:5-11; Ex. 30; Ex. 84; Ex. 106.) The evidence VHT cites indeed shows that Zillow “change[d] course and allow[ed] reproduction” of deciduous images. (JNOV Resp. at 8:7.) Similarly, a copy shop owner “allow[s] reproduction” (*id.*), but without more, the copy shop owner does not thereby proximately cause the copyright infringement undertaken by his customers, *see Netcom*, 907 F. Supp. at 1369; *CoStar*, 373 F.3d at 550; *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 132 (2d Cir. 2008) [hereinafter, *Cablevision*]; *Aereo*, 134 S. Ct. at 2513 (Scalia, J., dissenting). This evidence too fails to advance VHT’s theory that Zillow directly infringed VHT’s reproduction right.

Finally, VHT identifies implicit digs, a process Zillow performed on 1,029 VHT Photos. (JNOV Resp. at 8:3-6; 2/2/17 Trial Tr. at 115:1-117:18; Ex. 512 at Col. AE.) VHT contends it would be “illogical” to conclude that users who fail to complete their dig

“engaged in the volitional act that caused the implicit Dig copies to be created.” (JNOV Resp. at 8 n.6.) In this context, however, volition does not refer to acts of willing, choosing, or deciding. *See Giganews*, 847 F.3d at 666 (citing *Volition*, Webster’s Third New International Dictionary (1986)). Rather, the volitional-conduct doctrine discerns whether a defendant-host’s actions are “sufficiently proximate to the copying to displace [or join] the customer as the person who ‘makes’ the copies.” *Cablevision*, 536 F.3d at 132; *see also Aereo*, 134 S. Ct. at 2505-06 (making clear that multiple parties may proximately cause direct infringement); (JNOV Resp. at 4:8-5:4 (arguing that *Giganews* did not adopt an “immediate cause” requirement).) Although the user’s interaction with an implicitly dug image is slightly different than the user’s interaction with a dug image, no evidence suggests that Zillow takes any action toward implicitly dug images that it does not take toward every image that a user follows through in posting to Digs. (*See* JNOV Resp. at 8:3-6.) Rather, Zillow’s system, including implicit digs, “responds automatically to users’ input . . . without intervening conduct by” Zillow. *CoStar*, 373 F.3d at 550; *see also Giganews*, 847 F.3d at 670. There is thus no legally relevant distinction between implicit digs and Digs’s regular functionality.

Having reviewed the evidence and legal authority that VHT contends supports the liability verdict on VHT’s claim for direct infringement of its reproduction right in the undisplayed VHT Photos, the court concludes that a rational juror could not have found in favor of VHT. The court next turns to the adaptation right.



## ii. Adaptation (Derivative Works) Right

For similar reasons, the court concludes VHT failed to present sufficient evidence that Zillow caused a violation of VHT's adaptation right. In addressing that right, the parties rely on the same evidence to support their arguments—Jason Gurney's testimony regarding how Zillow's automated systems create one or more scaled copies of every image that users add to Digs. (*See* JNOV Mot. at 9:13-18 (citing 2/2/17 Trial Tr. at 109:12-111:11); JNOV Resp. at 8:10-13 (same).) In addition, VHT points to an image sizing chart that shows the precise image sizes that Zillow's system automatically renders. (JNOV Resp. at 8:13 (citing Ex. 302).) As the court explained in addressing the reproduction right, *see supra* § III.A.2.b.i., Zillow's systems function identically for the millions of noninfringing photos uploaded daily and the comparatively few infringing VHT Photos that Zillow's users uploaded (2/2/17 Trial Tr. at 109:12-22); *see CoStar*, 373 F.3d at 550 (“[T]o establish direct liability . . . , something more must be shown than mere ownership of a machine used by others to make illegal copies. There must be actual infringing conduct with a nexus sufficiently close and causal to the illegal copying that one could conclude that the machine owner himself trespassed on the exclusive domain of the copyright owner.”). The jury did not hear substantial evidence of “intervening conduct” by Zillow that amounts to more than “mere ownership of a machine used by others to make illegal copies.” *CoStar*, 373 F.3d at 550. Accordingly, the court concludes that VHT presented insufficient evidence at trial from which a reasonable juror could conclude that Zillow caused a violation of VHT's adaptation right in the undisplayed VHT Photos.

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*[APPENDIX EXCERPTED TO INCLUDE ONLY  
MATERIAL RELEVANT TO THIS PETITION]*

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*c. Non-Searchable VHT Photos*

Of the 6,016 VHT Photos that were displayed, 2,094 were non-searchable. (Ex. 512 at Column N; 2/7/17 Trial Tr. at 92:10-93:14; Ex. A-491.) Zillow argues that it is entitled to judgment notwithstanding the verdict on the 2,094 non-searchable, displayed VHT Photos because “they were selected and saved to Digs by users and never added to the searchable set by Zillow’s moderators.”<sup>18</sup> (JNOV Mot. at 10:23-11:1.) Zillow reasons that the jury therefore had insufficient evidence to conclude that Zillow proximately caused direct infringement of the non-searchable VHT Photos. (*Id.* at 11:1-16.) The court agrees.

Above, the court recounts the evidence of Zillow’s volitional conduct toward the undisplayed VHT Photos and concludes that it is not substantial. *See supra* § III.A.2.b. However, Zillow treats the non-searchable, displayed VHT Photos differently by subjecting them to moderation. Zillow designed its systems to place evergreen, non-searchable, displayed VHT Photos in a queue for potential moderation. (1/27/17 Trial Tr. at 214:11-215:1.) First, an automated moderation filters out images that are particularly blurry or tilted. (2/7/17 Trial Tr. at 78:17-79:1.) Any images that pass the automated moderation go to a queue for human moderation. (*Id.*) If the human moderator finds the image of sufficient quality, he or she promotes it to the searchable set of images. (*Id.*) Human moderators also have the discretion to remove images from Digs. (*Id.*

at 108:7-109:2.) Because of the volume of the evergreen images on Digs, however, Zillow's moderators did not review all of those images. (1/27/17 Trial Tr. at 214:11-215:1.)

VHT contends that a jury could have concluded that Zillow "caused the images to be displayed," *Giganeews*, 847 F.3d at 668, by subjecting the non-searchable VHT Photos to the potential for moderation (JNOV Resp. at 9:3-20). VHT points to the court's previous analysis of Digs's moderation functionality, which in part led the court to deny Zillow's motion for summary judgment. (*Id.* (citing 12/23/16 Order at 31:15-32:2).) Consistent with the court's previous analysis, however, merely subjecting the images to the potential for moderation does not constitute volitional conduct. (*See* 12/23/16 Order at 31-32 (discussing the actual moderation that Digs moderators perform)); *CoStar*, 373 F.3d at 547, 550-51 (identifying the cursory review for content and obvious infringement that the defendant performed and rejecting the argument that the review constituted sufficiently volitional conduct to impose direct infringement liability). Including user-selected images in a moderation queue does not constitute volitional conduct sufficient to transform Zillow from a "passive host" to a "direct[] cause" of the display of VHT's images. *Giganeews*, 847 F.3d at 668; *see also CoStar*, 373 F.3d at 550-51. The court therefore concludes as a matter of law that Zillow did not directly infringe the 2,094 non-searchable, displayed VHT Photos through Digs.

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*[APPENDIX EXCERPTED TO INCLUDE ONLY  
MATERIAL RELEVANT TO THIS PETITION]*

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