VI. Fair Use

In Chapter V, you read about the exclusive rights of copyright holders and how third parties might infringe those rights. You also learned about some limitations on infringement liability, such as the first-sale doctrine and the rule for soundalike recordings. The limitations discussed in Chapter V are principally bright-line rules. Many are technical and complex, such as § 110's provisions permitting certain small business to transmit musical works.

In this chapter, you will learn about fair use, the most wide-ranging limitation on copyright protection. It is unlike the limitations in Chapter V; unlike those relatively narrow, rule-like limitations, fair use is encoded as a standard and it is not always clear-cut to apply. As you'll see, courts develop it on a case-by-case basis, though there are recognizable categories of fair use cases and outcomes within each category are far from random. As you read through the statutory section encoding the fair use standard and the cases that analyze it, think about whether it is preferable to implement fair use as a standard or as a set of rules, be they simple or complex. (In general, rules are costlier to promulgate but are easier and clearer to apply than standards. For that reason, individuals can typically structure their own behavior more readily in the face of clearer-to-apply rules than less-clearer-to-apply standards. Standards are thought to be better suited to doing justice across a range of situations that might not be as easily covered by rules. See generally Louis Kaplow, Rules Versus Standards: An Economic Analysis, 42 DUKE L.J. 557 (1992).)

In the United States, fair use often is said to have originated with Justice Joseph Story's opinion in Folsom v. Marsh, 9 F. Cas. 342 (C.C.D. Mass. 1841), although intimations of fair use can be discerned in opinions before Story's and in earlier English case law. See Matthew Sag, The Pre-History of Fair Use, 76 BROOK. L. REV. 1371 (2011). In Folsom, the plaintiffs had published a 12-volume, 7,000-page book of George Washington's correspondence. The defendants published a 2-volume, 866-page biography of George Washington, which relied heavily on his correspondence. The defendants' book was intended for less specialized readers. Of the 866 pages in the defendants' book, 388 were copied verbatim from the plaintiffs' book. In ruling on the plaintiffs' ensuing copyright infringement claim against the defendants, Justice Story first notes that deciding whether there is infringement is a result of a “balance” of factors. He subsequently observes:

The question, then, is, whether this is a justifiable use of the original materials, such as the law recognizes as no infringement of the copyright of the plaintiffs.... [W]e must often, in deciding questions of this sort, look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.

Justice Story elaborated:

Thus, for example, no one can doubt that a reviewer may fairly cite largely from the original work, if his design be really and truly to use the passages for the purposes of fair and reasonable criticism. On the other hand, it is as clear, that if he thus cites the most important parts of the work, with a view, not to criticise, but to supersede the use of the original work, and substitute the review for it, such a use will be deemed in law a piracy. A wide interval might, of course, exist between these two extremes, calling for great caution and involving great difficulty ....

Courts developed these factors into an analytical framework that defendants could use in appropriate cases to avoid infringement liability by demonstrating their use of a plaintiff's copyrighted work was fair. See, e.g., Loew's Inc. v. Columbia Broadcasting Sys., 131 F. Supp. 165 (S.D. Cal. 1955); N.Y. Tribune v. Otis & Co., 39 F. Supp. 67 (S.D.N.Y. 1941).
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Congress subsequently codified these factors in the 1976 Act in § 107:

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

Note that all four listed factors must be considered by courts entertaining a fair use defense. Yet courts can consider additional factors too because the listed factors are set out as non-exhaustive: the § 107 preamble states that “the factors to be considered shall include…,” and the language “shall include” is understood to invite consideration of any facts, evidence, or arguments that a court would find germane to the fair use analysis in a particular case. As you read through the cases in this chapter, consider whether factors beyond the four set out in § 107 are or ought to be considered.

In the sections that follow, we consider fair use cases in traditional media as well as in software and internet media. In between those two sections, we offer two interludes: one that discusses how to think about market failures and market effects for purposes of fair use, and one that addresses how to think about the effect of § 107’s preamble on the fair use analysis.

A. Fair Use in Traditional Media

In this section, we consider fair use cases involving a defendant’s use of copyrighted material in traditional media, such as magazine articles, songs, books, and visual art.
O'CONNOR J.: ...

[1] In February 1977, shortly after leaving the White House, former President Gerald R. Ford contracted with petitioners Harper & Row and Reader's Digest, to publish his as yet unwritten memoirs. The memoirs were to contain significant hitherto unpublished material concerning the Watergate crisis, Mr. Ford's pardon of former President Nixon and Mr. Ford's reflections on this period of history, and the morality and personalities involved. In addition to the right to publish the Ford memoirs in book form, the agreement gave petitioners the exclusive right to license prepublication excerpts, known in the trade as “first serial rights.” Two years later, as the memoirs were nearing completion, petitioners negotiated a prepublication licensing agreement with Time, a weekly news magazine. Time agreed to pay $25,000, $12,500 in advance and an additional $12,500 at publication, in exchange for the right to excerpt 7,500 words from Mr. Ford's account of the Nixon pardon. The issue featuring the excerpts was timed to appear approximately one week before shipment of the full length book version to bookstores. Exclusivity was an important consideration; Harper & Row instituted procedures designed to maintain the confidentiality of the manuscript, and Time retained the right to renegotiate the second payment should the material appear in print prior to its release of the excerpts.

[2] Two to three weeks before the Time article's scheduled release, an unidentified person secretly brought a copy of the Ford manuscript to Victor Navasky, editor of The Nation, a political commentary magazine. Mr. Navasky knew that his possession of the manuscript was not authorized and that the manuscript must be returned quickly to his source to avoid discovery. He hastily put together what he believed was “a real hot news story” composed of quotes, paraphrases, and facts drawn exclusively from the manuscript.... The 2,250-word article ... appeared on April 3, 1979. As a result of The Nation's article, Time canceled its piece and refused to pay the remaining $12,500.

[3] Petitioners brought suit ..., alleging ... violations of the Copyright Act.... The District Court rejected respondents' argument that The Nation's piece was a “fair use” sanctioned by § 107 of the Act....

[4] A divided panel of the Court of Appeals for the Second Circuit reversed....
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[5] ... [C]opyright is intended to increase and not to impede the harvest of knowledge. But .... [t]he rights conferred by copyright are designed to assure contributors to the store of knowledge a fair return for their labors....

[6] .... The monopoly created by copyright thus rewards the individual author in order to benefit the public. This principle applies equally to works of fiction and nonfiction. The book at issue here, for example, was two years in the making, and began with a contract giving the author’s copyright to the publishers in exchange for their services in producing and marketing the work. In preparing the book, Mr. Ford drafted essays and word portraits of public figures and participated in hundreds of taped interviews that were later distilled to chronicle his personal viewpoint. It is evident that the monopoly granted by copyright actively served its intended purpose of inducing the creation of new material of potential historical value.

[7] .... The copyright owner’s rights, however, are subject to certain statutory exceptions. Among these is § 107 which codifies the traditional privilege of other authors to make “fair use” of an earlier writer’s work....

[8] ... The Nation has admitted to lifting verbatim quotes of the author’s original language totaling between 300 and 400 words and constituting some 13% of The Nation article. In using generous verbatim excerpts of Mr. Ford’s unpublished manuscript to lend authenticity to its account of the forthcoming memoirs, The Nation effectively arrogated to itself the right of first publication, an important marketable subsidiary right. For the reasons set forth below, we find that this use of the copyrighted manuscript, even stripped to the verbatim quotes conceded by The Nation to be copyrightable expression, was not a fair use within the meaning of the Copyright Act....

[9] Fair use was traditionally defined as a privilege in others than the owner of the copyright to use the copyrighted material in a reasonable manner without his consent. The statutory formulation of the defense of fair use in the Copyright Act reflects the intent of Congress to codify the common-law doctrine. Section 107 requires a case-by-case determination whether a particular use is fair, and the statute notes four nonexclusive factors to be considered. This approach was “intended to restate the [pre-existing] judicial doctrine of fair use, not to change, narrow, or enlarge it in any way.” H.R. Rep. No. 94–1476, p. 66 (1976) (hereinafter HOUSE REP).

[10] The author’s consent to a reasonable use of his copyrighted works had always been implied by the courts as a necessary incident of the constitutional policy of promoting the progress of science and the useful arts, since a prohibition of such use would inhibit subsequent writers from attempting to improve upon prior works and thus frustrate the very ends sought to be attained. [NYU Law] Professor [Alan] Latman, in a study of the doctrine of fair use commissioned by Congress for the revision effort, summarized prior law as turning on the “importance of the material copied or performed from the point of view of the reasonable copyright owner. In other words, would the reasonable copyright owner have consented to the use?”

[11] As early as 1841, Justice Story gave judicial recognition to the doctrine in a case that concerned the letters of another former President, George Washington.

“A reviewer may fairly cite largely from the original work, if his design be really and truly to use the passages for the purposes of fair and reasonable criticism. On the other hand, it is as clear, that if he thus cites the most important parts of the work, with a view, not to criticise, but to supersede the use of the original work, and substitute the review for it, such a use will be deemed in law a piracy.” Folsom v. Marsh, 9 F. Cas. 342, 344–45 (No. 4,901) (CC Mass.).

[12] As Justice Story’s hypothetical illustrates, the fair use doctrine has always precluded a use that “supersed[e]s the use of the original.”
Perhaps because the fair use doctrine was predicated on the author's implied consent to "reasonable and customary" use when he released his work for public consumption, fair use traditionally was not recognized as a defense to charges of copying from an author's as yet unpublished works. Under common-law copyright, the property of the author in his intellectual creation was absolute until he voluntarily parted with the same. This absolute rule, however, was tempered in practice by the equitable nature of the fair use doctrine. In a given case, factors such as implied consent through de facto publication on performance or dissemination of a work may tip the balance of equities in favor of prepublication use. But it has never been seriously disputed that the fact that the plaintiff's work is unpublished is a factor tending to negate the defense of fair use. Publication of an author's expression before he has authorized its dissemination seriously infringes the author's right to decide when and whether it will be made public, a factor not present in fair use of published works. Respondents contend, however, that Congress, in including first publication among the rights enumerated in §106, which are expressly subject to fair use under §107, intended that fair use would apply in pari materia to published and unpublished works. The Copyright Act does not support this proposition...

Though the right of first publication, like the other rights enumerated in §106, is expressly made subject to the fair use provision of §107, fair use analysis must always be tailored to the individual case. The nature of the interest at stake is highly relevant to whether a given use is fair. From the beginning, those entrusted with the task of revision recognized the overbalancing reasons to preserve the common law protection of undissemninated works until the author or his successor chooses to disclose them. The right of first publication implicates a threshold decision by the author whether and in what form to release his work. First publication is inherently different from other §106 rights in that only one person can be the first publisher; as the contract with Time illustrates, the commercial value of the right lies primarily in exclusivity. Because the potential damage to the author from judicially enforced "sharing" of the first publication right with unauthorized users of his manuscript is substantial, the balance of equities in evaluating such a claim of fair use inevitably shifts...

... We conclude that the unpublished nature of a work is "[a] key, though not necessarily determinative, factor" tending to negate a defense of fair use. SENATE REPORT, at 64.

We also find unpersuasive respondents' argument that fair use may be made of a soon-to-be-published manuscript on the ground that the author has demonstrated he has no interest in nonpublication. This argument assumes that the unpublished nature of copyrighted material is only relevant to letters or other confidential writings not intended for dissemination. It is true that common-law copyright was often enlisted in the service of personal privacy. In its commercial guise, however, an author's right to choose when he will publish is no less deserving of protection. The period encompassing the work's initiation, its preparation, and its grooming for public dissemination is a crucial one for any literary endeavor. The Copyright Act, which accords the copyright owner the "right to control the first public distribution" of his work, HOUSE REPORT, at 62, echoes the common law's concern that the author or copyright owner retain control throughout this critical stage. The obvious benefit to author and public alike of assuring authors the leisure to develop their ideas free from fear of expropriation outweighs any short-term "news value" to be gained from premature publication of the author's expression. The author's control of first public distribution implicates not only his personal interest in creative control but his property interest in exploitation of prepublication rights, which are valuable in themselves and serve as a valuable adjunct to publicity and marketing. Under ordinary circumstances, the author's right to control the first public appearance of his undissemninated expression will outweigh a claim of fair use....

Respondents, however, contend that First Amendment values require a different rule under the circumstances of this case. The thrust of the decision below is that the scope of fair use is undoubtedly wider when the information conveyed relates to matters of high public concern. Respondents advance the substantial public import of the subject matter of the Ford memoirs as grounds for excusing a use that would ordinarily not pass muster as a fair use—the piracy of verbatim quotations for the purpose of "scooping" the
authorized first serialization. Respondents explain their copying of Mr. Ford's expression as essential to reporting the news story it claims the book itself represents. In respondents' view, not only the facts contained in Mr. Ford's memoirs, but the precise manner in which he expressed himself were as newsworthy as what he had to say. Respondents argue that the public's interest in learning this news as fast as possible outweighs the right of the author to control its first publication.

[18] The Second Circuit noted, correctly, that copyright's idea/expression dichotomy strikes a definitional balance between the First Amendment and the Copyright Act by permitting free communication of facts while still protecting an author's expression. No author may copyright his ideas or the facts he narrates.... But copyright assures those who write and publish factual narratives such as "A Time to Heal" that they may at least enjoy the right to market the original expression contained therein as just compensation for their investment.

[19] Respondents' theory, however, would expand fair use to effectively destroy any expectation of copyright protection in the work of a public figure. Absent such protection, there would be little incentive to create or profit in financing such memoirs, and the public would be denied an important source of significant historical information. The promise of copyright would be an empty one if it could be avoided merely by dubbing the infringement a fair use "news report" of the book.

[20] Nor do respondents assert any actual necessity for circumventing the copyright scheme with respect to the types of works and users at issue here. Where an author and publisher have invested extensive resources in creating an original work and are poised to release it to the public, no legitimate aim is served by preempting the right of first publication. The fact that the words the author has chosen to clothe his narrative may of themselves be "newsworthy" is not an independent justification for unauthorized copying of the author's expression prior to publication....

[21] In our haste to disseminate news, it should not be forgotten that the Framers intended copyright itself to be the engine of free expression. By establishing a marketable right to the use of one's expression, copyright supplies the economic incentive to create and disseminate ideas...

[22] It is fundamentally at odds with the scheme of copyright to accord lesser rights in those works that are of greatest importance to the public. Such a notion ignores the major premise of copyright and injures author and public alike....

[23] In view of the First Amendment protections already embodied in the Copyright Act's distinction between copyrightable expression and uncopyrightable facts and ideas, and the latitude for scholarship and comment traditionally afforded by fair use, we see no warrant for expanding the doctrine of fair use to create what amounts to a public figure exception to copyright. Whether verbatim copying from a public figure's manuscript in a given case is or is not fair must be judged according to the traditional equities of fair use....

[24] Fair use is a mixed question of law and fact.... Whether The Nation article constitutes fair use under § 107 must be reviewed in light of the principles discussed above. The factors enumerated in the section are not meant to be exclusive: "[S]ince the doctrine is an equitable rule of reason, no generally applicable definition is possible, and each case raising the question must be decided on its own facts." HOUSE REPORT, at 65. The four factors identified by Congress as especially relevant in determining whether the use was fair are: (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the substantiality of the portion used in relation to the copyrighted work as a whole; (4) the effect on the potential market for or value of the copyrighted work. We address each one separately.

[25] Purpose of the Use. The Second Circuit correctly identified news reporting as the general purpose of The Nation's use. News reporting is one of the examples enumerated in § 107 to "give some idea of the sort of
activities the courts might regard as fair use under the circumstances." Senate Report, at 61.... "[W]hether a use referred to in the first sentence of section 107 is a fair use in a particular case will depend upon the application of the determinative factors, including those mentioned in the second sentence." Senate Report, at 62. The fact that an article arguably is "news" and therefore a productive use is simply one factor in a fair use analysis.

[26] ... The Nation has every right to seek to be the first to publish information. But The Nation went beyond simply reporting uncopyrightable information and actively sought to exploit the headline value of its infringement, making a "news event" out of its unauthorized first publication of a noted figure's copyrighted expression.

[27] The fact that a publication was commercial as opposed to nonprofit is a separate factor that tends to weigh against a finding of fair use. Every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright. In arguing that the purpose of news reporting is not purely commercial, The Nation misses the point entirely. The crux of the profit/nonprofit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.

[28] In evaluating character and purpose we cannot ignore The Nation's stated purpose of scooping the forthcoming hardcover and Time abstracts. The Nation's use had not merely the incidental effect but the intended purpose of supplanting the copyright holder's commercially valuable right of first publication. Also relevant to the character of the use is the propriety of the defendant's conduct. Fair use presupposes good faith and fair dealing. The trial court found that The Nation knowingly exploited a purloined manuscript. Unlike the typical claim of fair use, The Nation cannot offer up even the fiction of consent as justification....

[29] Nature of the Copyrighted Work. Second, the Act directs attention to the nature of the copyrighted work. "A Time to Heal" may be characterized as an unpublished historical narrative or autobiography. The law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy....

[30] Some of the briefest quotes from the memoirs are arguably necessary adequately to convey the facts; for example, Mr. Ford's characterization of the White House tapes as the "smoking gun" is perhaps so integral to the idea expressed as to be inseparable from it. But The Nation did not stop at isolated phrases and instead excerpted subjective descriptions and portraits of public figures whose power lies in the author's individualized expression. Such use, focusing on the most expressive elements of the work, exceeds that necessary to disseminate the facts.

[31] The fact that a work is unpublished is a critical element of its nature. Our prior discussion establishes that the scope of fair use is narrower with respect to unpublished works. While even substantial quotations might qualify as fair use in a review of a published work or a news account of a speech that had been delivered to the public or disseminated to the press, the author's right to control the first public appearance of his expression weighs against such use of the work before its release. The right of first publication encompasses not only the choice whether to publish at all, but also the choices of when, where, and in what form first to publish a work.

[32] In the case of Mr. Ford's manuscript, the copyright holders' interest in confidentiality is irrefutable; the copyright holders had entered into a contractual undertaking to "keep the manuscript confidential" and required that all those to whom the manuscript was shown also "sign an agreement to keep the manuscript confidential." While the copyright holders' contract with Time required Time to submit its proposed article seven days before publication, The Nation's clandestine publication afforded no such opportunity for creative or quality control. It was hastily patched together and contained a number of inaccuracies. A use that so
clearly infringes the copyright holder’s interests in confidentiality and creative control is difficult to characterize as “fair.”

[33] Amount and Substantiality of the Portion Used. Next, the Act directs us to examine the amount and substantiality of the portion used in relation to the copyrighted work as a whole. In absolute terms, the words actually quoted were an insubstantial portion of “A Time to Heal.” The District Court, however, found that “[T]he Nation took what was essentially the heart of the book.” We believe the Court of Appeals erred in overruling the District Judge’s evaluation of the qualitative nature of the taking. A Time editor described the chapters on the pardon as “the most interesting and moving parts of the entire manuscript.” .... [The Nation] quoted these passages precisely because they qualitatively embodied Ford’s distinctive expression.

[34] .... [T]he fact that a substantial portion of the infringing work was copied verbatim is evidence of the qualitative value of the copied material, both to the originator and to the plagiarist who seeks to profit from marketing someone else’s copyrighted expression.

[35] Stripped to the verbatim quotes, the direct takings from the unpublished manuscript constitute at least 13% of the infringing article. The Nation article is structured around the quoted excerpts which serve as its dramatic focal points. In view of the expressive value of the excerpts and their key role in the infringing work, we cannot agree with the Second Circuit that the “magazine took a meager, indeed an infinitesimal amount of Ford’s original language.”

[36] Effect on the Market. Finally, the Act focuses on “the effect of the use upon the potential market for or value of the copyrighted work.” This last factor is undoubtedly the single most important element of fair use. Fair use, when properly applied, is limited to copying by others which does not materially impair the marketability of the work which is copied. The trial court found not merely a potential but an actual effect on the market. Time’s cancellation of its projected serialization and its refusal to pay the $12,500 were the direct effect of the infringement.... Rarely will a case of copyright infringement present such clear-cut evidence of actual damage. Petitioners assured Time that there would be no other authorized publication of any portion of the unpublished manuscript prior to April 23, 1979. Any publication of material from chapters 1 and 3 would permit Time to renegotiate its final payment. Time cited The Nation’s article, which contained verbatim quotes from the unpublished manuscript, as a reason for its nonperformance.... [O]nce a copyright holder establishes with reasonable probability the existence of a causal connection between the infringement and a loss of revenue, the burden properly shifts to the infringer to show that this damage would have occurred had there been no taking of copyrighted expression. Petitioners established a prima facie case of actual damage that respondents failed to rebut.

[37] More important, to negate fair use one need only show that if the challenged use should become widespread, it would adversely affect the potential market for the copyrighted work...

[38] Placed in a broader perspective, a fair use doctrine that permits extensive prepublication quotations from an unreleased manuscript without the copyright owner’s consent poses substantial potential for damage to the marketability of first serialization rights in general. Isolated instances of minor infringements, when multiplied many times, become in the aggregate a major inroad on copyright that must be prevented.
Appeals accorded too little weight to the qualitative importance of the quoted passages of original expression. In sum, the traditional doctrine of fair use, as embodied in the Copyright Act, does not sanction the use made by *The Nation* of these copyrighted materials. Any copyright infringer may claim to benefit the public by increasing public access to the copyrighted work. But Congress has not designed, and we see no warrant for judicially imposing, a “compulsory license” permitting unfettered access to the unpublished copyrighted expression of public figures.

[40] .... [W]e find that *The Nation*'s use of these verbatim excerpts from the unpublished manuscript was not a fair use ....

BRENNAN, J., dissenting, in which Justice White and Justice Marshall joined.

[41] The Court holds that *The Nation*'s quotation of 300 words from the unpublished 200,000-word manuscript of President Gerald R. Ford infringed the copyright in that manuscript, even though the quotations related to a historical event of undoubted significance—the resignation and pardon of President Richard M. Nixon. Although the Court pursues the laudable goal of protecting “the economic incentive to create and disseminate ideas,” this zealous defense of the copyright owner’s prerogative will, I fear, stifle the broad dissemination of ideas and information copyright is intended to nurture. Protection of the copyright owner’s economic interest is achieved in this case through an exceedingly narrow definition of the scope of fair use. The progress of arts and sciences and the robust public debate essential to an enlightened citizenry are ill served by this constricted reading of the fair use doctrine. I therefore respectfully dissent....

[42] In my judgment, the Court’s fair use analysis has fallen to the temptation to find copyright violation based on a minimal use of literary form in order to provide compensation for the appropriation of information from a work of history. The failure to distinguish between information and literary form permeates every aspect of the Court’s fair use analysis and leads the Court to the wrong result in this case. Application of the statutorily prescribed analysis with attention to the distinction between information and literary form leads to a straightforward finding of fair use within the meaning of § 107....

[43] The Court’s exceedingly narrow approach to fair use permits Harper & Row to monopolize information. This holding effects an important extension of property rights and a corresponding curtailment in the free use of knowledge and of ideas. The Court has perhaps advanced the ability of the historian—or at least the public official who has recently left office—to capture the full economic value of information in his or her possession. But the Court does so only by risking the robust debate of public issues that is the essence of self-government. *The Nation* was providing the grist for that robust debate. The Court imposes liability upon *The Nation* for no other reason than that *The Nation* succeeded in being the first to provide certain information to the public. I dissent.

NOTES

1. Given *The Nation*'s status as a non-profit entity, what do you make of the Court’s analysis of whether the magazine’s use of Ford’s autobiography was commercial (as part of its analysis of the first fair use factor)?

2. As a matter of copyright policy, should bad faith be relevant to a determination of fair use? And by what metric is a court to determine “bad faith”? Is *The Nation*'s conduct in reporting on the Ford manuscript “bad faith” by the standards of American journalism? Are you comfortable with a group of lawyers articulating norms for journalists?

3. How does the *Harper & Row* majority view the purpose of fair use? By contrast, how does the dissent view its purpose?
4. Do you have a sense after reading *Harper & Row* whether any particular factor is more important than others to a conclusion of fair use? If so, in all contexts or only in the specific context at issue here?

5. *Harper & Row* emphasized the unpublished nature of the plaintiff’s work as a critical aspect weighing against fair use. In this regard, consider *Salinger v. Random House, Inc.*, 811 F.2d 90 (2d Cir. 1987), decided after *Harper & Row*. In *Salinger*, Ian Hamilton had written a biography of the famously reclusive author J.D. Salinger. In the biography, Hamilton relied heavily on unpublished letters that Salinger had written and sent to others, including Learned Hand, Ernest Hemingway, and Whit Burnett. Hamilton gained access to most, if not all, of these letters through various university libraries, to which the recipients had donated the letters. The biography relies on 44 such letters, which Hamilton mostly paraphrases closely and occasionally quotes. For example, in a 1943 letter to Burnett, Salinger expresses his disapproval over the marriage of his ex-girlfriend Oona O’Neill to Charlie Chaplin:

> I can see them at home evenings. Chaplin squatting grey and nude, atop his chiffonier, swinging his thyroid around his head by his bamboo cane, like a dead rat. Oona in an aquamarine gown, applauding madly from the bathroom. Agnes (her mother) in a Jantzen bathing suit, passing between them with cocktails. I’m facetious, but I’m sorry. Sorry for anyone with a profile as young and lovely as Oona’s.

In reliance on this letter, Hamilton wrote in his biography:

> At one point in a letter to Whit Burnett, he provides a pen portrait of the Happy Hour Chez Chaplin: the comedian, ancient and unclothed, is brandishing his walking stick—attached to the stick, and horribly resembling a lifeless rodent, is one of Chaplin’s vital organs. Oona claps her hands in appreciation and Agnes, togged out in a bathing suit, pours drinks. Salinger goes on to say he’s sorry—sorry not for what he has just written, but for Oona: far too youthful and exquisite for such a dreadful fate.

Salinger sued Hamilton and Random House, the book’s publisher, for copyright infringement. The Second Circuit held in favor of Salinger, finding infringement and no fair use. After noting that *Harper & Row* “underscored the idea that unpublished letters normally enjoy insulation from fair use copying,” the Second Circuit reasoned that “the tenor of the Court’s entire discussion of unpublished works conveys the idea that such works normally enjoy complete protection against copying any protected expression.”

Many understood *Salinger* and other similar post-*Harper & Row* decisions to establish an absolute bar on finding fair use of unpublished works. In response, in 1992, Congress amended §107 by adding the following sentence after its listing of the four statutory factors: “The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.” Act of Oct. 24, 1992, Pub. L. No. 102-492, 106 Stat. 3145. Was this amendment good copyright policy?
[1] In 1964, Roy Orbison and William Dees wrote a rock ballad called “Oh, Pretty Woman” and assigned their rights in it to respondent Acuff-Rose Music, Inc. Acuff-Rose registered the song for copyright protection.

[2] Petitioners Luther R. Campbell, Christopher Wongwon, Mark Ross, and David Hobbs are collectively known as 2 Live Crew, a popular rap music group. In 1989, Campbell wrote a song entitled “Pretty Woman,” which he later described in an affidavit as intended, “through comical lyrics, to satirize the original work....” On July 5, 1989, 2 Live Crew’s manager informed Acuff-Rose that 2 Live Crew had written a parody of “Oh, Pretty Woman,” that they would afford all credit for ownership and authorship of the original song to Acuff-Rose, Dees, and Orbison, and that they were willing to pay a fee for the use they wished to make of it. Enclosed with the letter were a copy of the lyrics and a recording of 2 Live Crew’s song. Acuff-Rose’s agent refused permission, stating that “I am aware of the success enjoyed by ‘The 2 Live Crews’, but I must inform you that we cannot permit the use of a parody of ‘Oh, Pretty Woman.’” Nonetheless, in June or July 1989, 2 Live Crew released records, cassette tapes, and compact discs of “Pretty Woman” in a collection of songs entitled “As Clean As They Wanna Be.” The albums and compact discs identify the authors of “Pretty Woman” as Orbison and Dees and its publisher as Acuff-Rose.

[3] Almost a year later, after nearly a quarter of a million copies of the recording had been sold, Acuff-Rose sued 2 Live Crew and its record company, Luke Skywyalker Records, for copyright infringement. The District Court granted summary judgment for 2 Live Crew ....

[4] The Court of Appeals for the Sixth Circuit reversed and remanded....

[5] We granted certiorari to determine whether 2 Live Crew’s commercial parody could be a fair use....

[6] It is uncontested here that 2 Live Crew’s song would be an infringement of Acuff-Rose’s rights in “Oh, Pretty Woman,” under the Copyright Act of 1976 but for a finding of fair use through parody. From the infancy of copyright protection, some opportunity for fair use of copyrighted materials has been thought necessary to fulfill copyright’s very purpose, “[t]o promote the Progress of Science and useful Arts....” U.S. CONST., Art. I, § 8, cl. 8....

[7] .... The fair use doctrine ... permits and requires courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.

[8] The task [of adjudging fair use] is not to be simplified with bright-line rules, for the statute, like the doctrine it recognizes, calls for case-by-case analysis. The text employs the terms “including” and “such as” in the preamble paragraph to indicate the “illustrative and not limitative” function of the examples given, § 101, which thus provide only general guidance about the sorts of copying that courts and Congress most
commonly had found to be fair uses. Nor may the four statutory factors be treated in isolation, one from another. All are to be explored, and the results weighed together, in light of the purposes of copyright.

A

[9] The first factor in a fair use enquiry is “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.” § 107(1). The enquiry here may be guided by the examples given in the preamble to § 107, looking to whether the use is for criticism, or comment, or news reporting, and the like. The central purpose of this investigation is to see, in Justice Story’s words, whether the new work merely supersedes 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.” Pierre N. Leval, Toward a Fair Use Standard, 103 HARV. L. REV. 1105, 1111 (1990). Although such transformative use is not absolutely necessary for a finding of fair use, the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works. Such works thus lie at the heart of the fair use doctrine’s guarantee of breathing space within the confines of copyright, and the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.

[10] … Parody has an obvious claim to transformative value. Like less ostensibly humorous forms of criticism, it can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one.

[11] … For the purposes of copyright law, the heart of any parodist’s claim to quote from existing material, is the use of some elements of a prior author’s composition to create a new one that, at least in part, comments on that author’s works. If, on the contrary, the commentary has no critical bearing on the substance or style of the original composition, which the alleged infringer merely uses to get attention or to avoid the drudgery in working up something fresh, the claim to fairness in borrowing from another’s work diminishes accordingly (if it does not vanish), and other factors, like the extent of its commerciality, loom larger. Parody needs to mimic an original to make its point, and so has some claim to use the creation of its victim’s (or collective victims’) imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing.

[12] The fact that parody can claim legitimacy for some appropriation does not, of course, tell either parodist or judge much about where to draw the line. Like a book review quoting the copyrighted material criticized, parody may or may not be fair use, and petitioners’ suggestion that any parodic use is presumptively fair has no more justification in law or fact than the equally hopeful claim that any use for news reporting should be presumed fair, see Harper & Row, 471 U.S. at 561. The Act has no hint of an evidentiary preference for

11 The obvious statutory exception to this focus on transformative uses is the straight reproduction of multiple copies for classroom distribution.

14 A parody that more loosely targets an original than the parody presented here may still be sufficiently aimed at an original work to come within our analysis of parody. If a parody whose wide dissemination in the market runs the risk of serving as a substitute for the original or licensed derivatives, it is more incumbent on one claiming fair use to establish the extent of transformation and the parody’s critical relationship to the original. By contrast, when there is little or no risk of market substitution, whether because of the large extent of transformation of the earlier work, the new work’s minimal distribution in the market, the small extent to which it borrows from an original, or other factors, taking parodic aim at an original is a less critical factor in the analysis, and looser forms of parody may be found to be fair use, as may satire with lesser justification for the borrowing than would otherwise be required.

15 Satire has been defined as a work “in which prevalent follies or vices are assailed with ridicule,” OXFORD ENGLISH DICTIONARY, or are “attacked through irony, derision, or wit,” AMERICAN HERITAGE DICTIONARY.
parodists over their victims, and no workable presumption for parody could take account of the fact that parody often shades into satire when society is lampooned through its creative artifacts, or that a work may contain both parodic and nonparodic elements. Accordingly, parody, like any other use, has to work its way through the relevant factors, and be judged case by case, in light of the ends of the copyright law.

[13] Here, the District Court held, and the Court of Appeals assumed, that 2 Live Crew’s “Pretty Woman” contains parody, commenting on and criticizing the original work, whatever it may have to say about society at large. As the District Court remarked, the words of 2 Live Crew’s song copy the original’s first line, but then “quickly degenerat[e] into a play on words, substituting predictable lyrics with shocking ones ... [that] deservingly demonstrat[e] how bland and banal the Orbison song seems to them.” Judge Nelson, dissenting below, came to the same conclusion, that the 2 Live Crew song “was clearly intended to ridicule the white-bread original” and “reminds us that sexual congress with nameless streetwalkers is not necessarily the stuff of romance and is not necessarily without its consequences. The singers (there are several) have the same thing on their minds as did the lonely man with the nasal voice, but here there is no hint of wine and roses.” Although the majority below had difficulty discerning any criticism of the original in 2 Live Crew’s song, it assumed for purposes of its opinion that there was some.

[14] We have less difficulty in finding that critical element in 2 Live Crew’s song than the Court of Appeals did, although having found it we will not take the further step of evaluating its quality. The threshold question when fair use is raised in defense of parody is whether a parodic character may reasonably be perceived. Whether, going beyond that, parody is in good taste or bad does not and should not matter to fair use. As Justice Holmes explained, “[i]t would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of [a work], outside of the narrowest and most obvious limits. At the one extreme some works of genius would be sure to miss appreciation. Their very novelty would make them repulsive until the public had learned the new language in which their author spoke.” Bleistein v. Donaldson Lithographing Co., 188 U.S. 239, 251 (1903).

[15] While we might not assign a high rank to the parodic element here, we think it fair to say that 2 Live Crew’s song reasonably could be perceived as commenting on the original or criticizing it, to some degree. 2 Live Crew juxtaposes the romantic musings of a man whose fantasy comes true, with degrading taunts, a bawdy demand for sex, and a sigh of relief from paternal responsibility. The later words can be taken as a comment on the naïveté of the original of an earlier day, as a rejection of its sentiment that ignores the ugliness of street life and the debasement that it signifies. It is this joinder of reference and ridicule that marks off the author’s choice of parody from the other types of comment and criticism that traditionally have had a claim to fair use protection as transformative works.

[16] The Court of Appeals, however, immediately cut short the enquiry into 2 Live Crew’s fair use claim by confining its treatment of the first factor essentially to one relevant fact, the commercial nature of the use. The court then inflated the significance of this fact by applying a presumption ... that every commercial use of copyrighted material is presumptively unfair. In giving virtually dispositive weight to the commercial nature of the parody, the Court of Appeals erred.

[17] The language of the statute makes clear that the commercial or nonprofit educational purpose of a work is only one element of the first factor enquiry into its purpose and character....

16 The only further judgment, indeed, that a court may pass on a work goes to an assessment of whether the parodic element is slight or great, and the copying small or extensive in relation to the parodic element, for a work with slight parodic element and extensive copying will be more likely to merely supersede the objects of the original.
The second statutory factor, “the nature of the copyrighted work,” § 107(2), calls for recognition that some works are closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish when the former works are copied. We agree with both the District Court and the Court of Appeals that the Orbison original’s creative expression for public dissemination falls within the core of the copyright’s protective purposes. This fact, however, is not much help in this case, or ever likely to help much in separating the fair use sheep from the infringing goats in a parody case, since parodies almost invariably copy publicly known, expressive works.

The third factor asks whether “the amount and substantiality of the portion used in relation to the copyrighted work as a whole,” § 107(3). Here, attention turns to the persuasiveness of a parodist’s justification for the particular copying done, and the enquiry will harken back to the first of the statutory factors, for, as in prior cases, we recognize that the extent of permissible copying varies with the purpose and character of the use. The facts bearing on this factor will also tend to address the fourth, by revealing the degree to which the parody may serve as a market substitute for the original or potentially licensed derivatives.

Parody presents a difficult case. Parody’s humor, or in any event its comment, necessarily springs from recognizable allusion to its object through distorted imitation. Its art lies in the tension between a known original and its parodic twin. When parody takes aim at a particular original work, the parody must be able to conjure up at least enough of that original to make the object of its critical wit recognizable. What makes for this recognition is quotation of the original’s most distinctive or memorable features, which the parodist can be sure the audience will know. Once enough has been taken to assure identification, how much more is reasonable will depend, say, on the extent to which the song’s overriding purpose and character is to parody the original or, in contrast, the likelihood that the parody may serve as a market substitute for the original. But using some characteristic features cannot be avoided.

We think the Court of Appeals was insufficiently appreciative of parody’s need for the recognizable sight or sound when it ruled 2 Live Crew’s use unreasonable as a matter of law. It is true, of course, that 2 Live Crew copied the characteristic opening bass riff (or musical phrase) of the original, and true that the words of the first line copy the Orbison lyrics. But if quotation of the opening riff and the first line may be said to go to the “heart” of the original, the heart is also what most readily conjures up the song for parody, and it is the heart at which parody takes aim. Copying does not become excessive in relation to parodic purpose merely because the portion taken was the original’s heart. If 2 Live Crew had copied a significantly less memorable part of the original, it is difficult to see how its parodic character would have come through.

This is not, of course, to say that anyone who calls himself a parodist can skim the cream and get away scot free. In parody, as in news reporting, context is everything, and the question of fairness asks what else the parodist did besides go to the heart of the original. It is significant that 2 Live Crew not only copied the first line of the original, but thereafter departed markedly from the Orbison lyrics for its own ends. 2 Live Crew
not only copied the bass riff and repeated it, but also produced otherwise distinctive sounds, interposing scraper noise, overlaying the music with solos in different keys, and altering the drum beat. This is not a case, then, where a substantial portion of the parody itself is composed of a verbatim copying of the original. It is not, that is, a case where the parody is so insubstantial, as compared to the copying, that the third factor must be resolved as a matter of law against the parodists.

[24] Suffice it to say here that, as to the lyrics, we think ... that no more was taken than necessary, but just for that reason, we fail to see how the copying can be excessive in relation to its parodic purpose, even if the portion taken is the original's “heart.” As to the music, we express no opinion whether repetition of the bass riff is excessive copying, and we remand to permit evaluation of the amount taken, in light of the song's parodic purpose and character, its transformative elements, and considerations of the potential for market substitution sketched more fully below.

D

[25] The fourth fair use factor is “the effect of the use upon the potential market for or value of the copyrighted work.” § 107(4). It requires courts to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also whether unrestricted and widespread conduct of the sort engaged in by the defendant would result in a substantially adverse impact on the potential market for the original. The enquiry must take account not only of harm to the original but also of harm to the market for derivative works.

[26] Since fair use is an affirmative defense, its proponent would have difficulty carrying the burden of demonstrating fair use without favorable evidence about relevant markets.21 ...

[27] No presumption or inference of market harm ... is applicable to a case involving something beyond mere duplication for commercial purposes.... [W]hen ... the second use is transformative, market substitution is at least less certain, and market harm may not be so readily inferred. Indeed, as to parody pure and simple, it is more likely that the new work will not affect the market for the original in a way cognizable under this factor, that is, by acting as a substitute for it .... This is so because the parody and the original usually serve different market functions.

[28] We do not, of course, suggest that a parody may not harm the market at all, but when a lethal parody, like a scathing theater review, kills demand for the original, it does not produce a harm cognizable under the Copyright Act. Because parody may quite legitimately aim at garroting the original, destroying it commercially as well as artistically, the role of the courts is to distinguish between biting criticism that merely suppresses demand and copyright infringement, which usurps it.

[29] This distinction between potentially remediable displacement and unremediable disparagement is reflected in the rule that there is no protectible derivative market for criticism. The market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop. Yet the unlikelihood that creators of imaginative works will license critical reviews or lampoons of their own productions removes such uses from the very notion of a potential licensing market.... Thus, to the extent that the opinion below may be read to have considered harm to the market for parodies of “Oh, Pretty Woman,” the court erred.

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21 Even favorable evidence, without more, is no guarantee of fairness. Judge Leval gives the example of the film producer's appropriation of a composer's previously unknown song that turns the song into a commercial success; the boon to the song does not make the film's simple copying fair. This factor, no less than the other three, may be addressed only through a sensitive balancing of interests. Market harm is a matter of degree, and the importance of this factor will vary, not only with the amount of harm, but also with the relative strength of the showing on the other factors.
In explaining why the law recognizes no derivative market for critical works, including parody, we have, of course, been speaking of the later work as if it had nothing but a critical aspect. But the later work may have a more complex character, with effects not only in the arena of criticism but also in protectible markets for derivative works, too. In that sort of case, the law looks beyond the criticism to the other elements of the work, as it does here. 2 Live Crew’s song comprises not only parody but also rap music, and the derivative market for rap music is a proper focus of enquiry. Evidence of substantial harm to it would weigh against a finding of fair use, because the licensing of derivatives is an important economic incentive to the creation of originals. Of course, the only harm to derivatives that need concern us, as discussed above, is the harm of market substitution. The fact that a parody may impair the market for derivative uses by the very effectiveness of its critical commentary is no more relevant under copyright than the like threat to the original market.

Although 2 Live Crew submitted uncontroverted affidavits on the question of market harm to the original, neither they, nor Acuff-Rose, introduced evidence or affidavits addressing the likely effect of 2 Live Crew’s parodic rap song on the market for a nonparody, rap version of “Oh, Pretty Woman.” And while Acuff-Rose would have us find evidence of a rap market in the very facts that 2 Live Crew recorded a rap parody of “Oh, Pretty Woman” and another rap group sought a license to record a rap derivative, there was no evidence that a potential rap market was harmed in any way by 2 Live Crew’s parody, rap version. The fact that 2 Live Crew’s parody sold as part of a collection of rap songs says very little about the parody’s effect on a market for a rap version of the original, either of the music alone or of the music with its lyrics.... The evidentiary hole will doubtless be plugged on remand....

APPENDIX A TO OPINION OF THE COURT

“Oh, Pretty Woman” by Roy Orbison and William Dees

Pretty Woman, walking down the street,
Pretty Woman, the kind I like to meet,
Pretty Woman, I don’t believe you, you’re not the truth,
No one could look as good as you
Mercy
Pretty Woman, won’t you pardon me,
Pretty Woman, I couldn’t help but see,
Pretty Woman, that you look lovely as can be
Are you lonely just like me?
Pretty Woman, stop a while,
Pretty Woman, talk a while,
Pretty Woman give your smile to me
Pretty Woman, yeah, yeah, yeah
Pretty Woman, look my way,
Pretty Woman, say you’ll stay with me
‘Cause I need you, I’ll treat you right
Come to me baby, Be mine tonight
Pretty Woman, don’t walk on by,
Pretty Woman, don’t make me cry,
Pretty Woman, don’t walk away,
Hey, O.K.
If that’s the way it must be, O.K.

APPENDIX B TO OPINION OF THE COURT

“Pretty Woman” as Recorded by 2 Live Crew

Pretty woman walkin’ down the street
Pretty woman girl you look so sweet
Pretty woman you bring me down to that knee
Pretty woman you make me wanna beg please
Oh, pretty woman
Big hairy woman you need to shave that stuff
Big hairy woman you know I bet it’s tough
Big hairy woman all that hair it ain’t legit
‘Cause you look like ‘Cousin It’
Big hairy woman
Bald headed woman girl your hair won’t grow
Bald headed woman you got a teeny weeny afro
Bald headed woman you know your hair could look nice
Bald headed woman first you got to roll it with rice
Bald headed woman here, let me get this hunk of biz for ya
Ya know what I’m saying you look better than rice a roni
Oh bald headed woman
Big hairy woman come on in
And don’t forget your bald headed friend
Hey pretty woman let the boys
Jump in
Two timin’ woman girl you know you ain’t right
Two timin’ woman you’re out with my boy last night
Two timin’ woman that takes a load off my mind

24 In some cases it may be difficult to determine whence the harm flows. In such cases, the other fair use factors may provide some indicia of the likely source of the harm. A work whose overriding purpose and character is parodic and whose borrowing is slight in relation to its parody will be far less likely to cause cognizable harm than a work with little parodic content and much copying.
I guess I’ll go on home, it’s late
There’ll be tomorrow night, but wait!
What do I see
Is she walking back to me?
Yeah, she’s walking back to me!
Oh, Pretty Woman.

KENNEDY, J. concurring....

[32] The fair use factors thus reinforce the importance of keeping the definition of parody within proper limits. More than arguable parodic content should be required to deem a would-be parody a fair use. Fair use is an affirmative defense, so doubts about whether a given use is fair should not be resolved in favor of the self-proclaimed parodist. We should not make it easy for musicians to exploit existing works and then later claim that their rendition was a valuable commentary on the original. Almost any revamped modern version of a familiar composition can be construed as a “comment on the naiveté of the original,” because of the difference in style and because it will be amusing to hear how the old tune sounds in the new genre. Just the thought of a rap version of Beethoven’s Fifth Symphony or “Achy Breaky Heart” is bound to make people smile. If we allow any weak transformation to qualify as parody, however, we weaken the protection of copyright. And underprotection of copyright disserves the goals of copyright just as much as overprotection, by reducing the financial incentive to create....

NOTES


2. As a matter of copyright policy, why might parodies be considered fair use? Can you reconcile fair use for parodies with the rights of copyright owners to prepare derivative works?

3. After reading *Campbell*, do you have a different sense whether any particular factor is more important than others to a conclusion of fair use? If so, in all contexts or only in the specific one at issue here?

4. Very influential on the Court’s decision in *Campbell* was a *Harvard Law Review* article on fair use by Judge Pierre Leval of the U.S. Court of Appeals for the Second Circuit. See Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105 (1990). In the article, Judge Leval argued for “transformativeness” as a touchstone in fair use analysis. Can you think of the ways in which, in the context of the fair use analysis, a defendant’s work may be said to “transform” a plaintiff’s work? Are all forms of transformativeness equal in value?

5. How can a court decide whether something is a parody? Should it be based on the defendant’s creative intent? Or how consumers receive the defendant’s use? Or expert opinions? Or another way?

In that regard, consider a case brought by photographer Annie Leibovitz against Paramount Pictures, distributor of the film *Naked Gun 33 1/2: The Final Insult*. Leibovitz had photographed a pregnant, nude Demi Moore for the cover of the August 1991 issue of *Vanity Fair* magazine, as shown in Figure 92. The photograph attracted a significant amount of public attention, and that issue became a top-seller for *Vanity Fair*. In 1993, Paramount Pictures released a promotional poster for its upcoming film release, with star Leslie Nielsen’s face superimposed on the body of a nude, pregnant model posed in the same position as Moore and the tagline “Due this March,” as shown in Figure 92.
Leibovitz sued Paramount Pictures for copyright infringement. The district court granted summary judgment to Paramount, on the ground that its use was fair. The Second Circuit agreed and upheld the district court’s ruling. In finding Paramount’s poster to be a parody protected by fair use, it reasoned:

Plainly, the ad adds something new and qualifies as a “transformative” work. Whether it “comments” on the original is a somewhat closer question. Because the smirking face of Nielsen contrasts so strikingly with the serious expression on the face of Moore, the ad may reasonably be perceived as commenting on the seriousness, even the pretentiousness, of the original. The contrast achieves the effect of ridicule that the Court recognized in Campbell would serve as a sufficient “comment” to tip the first factor in a parodist’s favor.

In saying this, however, we have some concern about the ease with which every purported parodist could win on the first factor simply by pointing out some feature that contrasts with the original. Being different from an original does not inevitably “comment” on the original. Nevertheless, the ad is not merely different; it differs in a way that may reasonably be perceived as commenting, through ridicule, on what a viewer might reasonably think is the undue self-importance conveyed by the subject of the Leibovitz photograph. A photographer posing a well known actress in a manner that calls to mind a well known painting must expect, or at least tolerate, a parodist’s deflating ridicule.

Apart from ridiculing pretentiousness, the ad might also be reasonably perceived as interpreting the Leibovitz photograph to extol the beauty of the pregnant female body, and, rather unchivalrously, to express disagreement with this message. The District Court thought such a comment was reasonably to be perceived from the contrast between “a serious portrayal of a beautiful woman taking great pride in the majesty of her pregnant body ... [and] a ridiculous image of a smirking, foolish-looking pregnant man.”

Leibovitz v. Paramount Pictures Corp., 137 F.3d 109, 114-15 (2d Cir. 1996). In light of this case, how do you evaluate Justice Kennedy’s concern, expressed in his Campbell concurrence, that it might be too easy to claim ex post that the use of a copyrighted work is a parody?
After reading *Campbell*, how would you distinguish a parody from a satire for purposes of evaluating fair use?

Consider the following case brought against publishing company Houghton Mifflin Co. by the copyright owners of *Gone with the Wind*, one of the world’s best-selling books and which tells the fictional story of Scarlett O’Hara—the spoiled daughter of a wealthy Southern plantation owner—who tries to escape poverty following the American Civil War. Alice Randall wrote a book titled *The Wind Done Gone*, a fictional work based on *Gone with the Wind*. In the book, Randall appropriates characters, plots, and major scenes from *Gone with the Wind* to tell an alternative account of *Gone with the Wind*’s story from the point of view of one of O’Hara’s slaves, Cynara, and the daughter of O’Hara’s father and Mammy, a slave who was O’Hara’s childhood nurse.

In defense of the lawsuit, Randall claimed “that her novel is a critique of [*Gone with the Wind*]’s depiction of slavery and the Civil-War era American South.” Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257, 1259 (11th Cir. 2001). The Eleventh Circuit characterized Randall’s work as a parody, rather than a satire:

> [T]he parodic character of [*The Wind Done Gone*] is clear. [*The Wind Done Gone*] is not a general commentary upon the Civil-War-era American South, but a specific criticism of and rejoinder to the depiction of slavery and the relationships between blacks and whites in [*Gone with the Wind*]. The fact that Randall chose to convey her criticisms of [*Gone with the Wind*] through a work of fiction, which she contends is a more powerful vehicle for her message than a scholarly article, does not, in and of itself, deprive [*The Wind Done Gone*] of fair-use protection.

![Figure 93: book covers for *Gone with the Wind* (left) and *The Wind Done Gone* (right)](image)

After its analysis of the four statutory factors, the court went on to conclude that the defendants were “entitled to a fair-use defense.”
Do you think Randall’s work is more appropriately categorized as a parody or a satire? Or is it a frontal attack on the Mitchell novel that does not ridicule, as parody and satire do? Notice how Houghton Mifflin described Randall’s book on its cover (shown in Figure 93) as a “parody.” Why do you think it did so? Should it matter to a determination of fair use whether a work is categorized as a parody or a satire? We will consider the question again later in this section in the context of Blanch v. Koons, 467 F.3d 244 (2d Cir. 2006).

7. After reading Campbell, you might think that fair use is asserted as a defense frequently in infringement cases involving music. In an empirical study, Edward Lee finds that outside the context of parody, no court decision has recognized fair use of a plaintiff’s musical work in a defendant’s musical work. Edward Lee, Fair Use Avoidance in Music Cases, 59 B.C. L. REV. 1874 (2018). Moreover, Lee finds that very few of the many infringement cases about music even consider fair use. Lee posits that both musicians and courts are likely avoiding the defense of fair use in this context to make it easier to settle on song credits and royalties, to pursue instead a defense of not having copied protectable material, and to coincide with music industry norms and practices. This avoidance of fair use by litigants means that courts do not have much precedent on which to rely on deciding non-parody fair use music cases.

As you read the next case, consider the purpose for which and the ways the defendant is using the plaintiff’s works and how that ought to affect the analysis of fair use.

Bill Graham Archives v. Dorling Kindersley Limited
448 F.3d 605 (2d Cir. 2006)

RESTANI, J.: ...

[1] In October of 2003, DK [(Doring Kindersley)] published Grateful Dead: The Illustrated Trip, in collaboration with Grateful Dead Productions, intended as a cultural history of the Grateful Dead. The resulting 480-page coffee table book tells the story of the Grateful Dead along a timeline running continuously through the book, chronologically combining over 2000 images representing dates in the Grateful Dead’s history with explanatory text. A typical page of the book features a collage of images, text, and graphic art designed to simultaneously capture the eye and inform the reader. Plaintiff BGA [(Bill Graham Archives)] claims to own the copyright to seven images displayed in Illustrated Trip, which DK reproduced without BGA’s permission.

[2] Initially, DK sought permission from BGA to reproduce the images. In May of 2003, the CEO of Grateful Dead Productions sent a letter to BGA seeking permission for DK to publish the images. BGA responded by offering permission in exchange for Grateful Dead Productions’ grant of permission to BGA to make CDs and DVDs out of concert footage in BGA’s archives. Next, DK directly contacted BGA seeking to negotiate a license agreement, but the parties disagreed as to an appropriate license fee. Nevertheless, DK proceeded with publication of Illustrated Trip without entering a license fee agreement with BGA. Specifically, DK reproduced seven artistic images originally depicted on Grateful Dead event posters and tickets. BGA’s seven images are displayed in significantly reduced form and are accompanied by captions describing the concerts they represent.

[3] When DK refused to meet BGA’s post-publication license fee demands, BGA filed suit for copyright infringement.

[4] In this case, the district court concluded that the balance of fair use factors weighs in favor of DK.... We agree with the district court that DK’s use of the copyrighted images is protected as fair use.
I. Purpose and Character of Use

[5] We first address “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.” 17 U.S.C. § 107(1). Most important to the court’s analysis of the first factor is the “transformative” nature of the work. The question is whether the new work merely supersedes 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.

[6] Here, the district court determined that *Illustrated Trip* is a biographical work, and the original images are not, and therefore accorded a strong presumption in favor of DK’s use. In particular, the district court concluded that DK’s use of images placed in chronological order on a timeline is transformatively different from the mere expressive use of images on concert posters or tickets. Because the works are displayed to commemorate historic events, arranged in a creative fashion, and displayed in significantly reduced form, the district court held that the first fair use factor weighs heavily in favor of DK.

[7] Appellant challenges the district court’s strong presumption in favor of fair use based on the biographical nature of *Illustrated Trip*. Appellant argues that based on this purported error the district court failed to examine DK’s justification for its use of each of the images. Moreover, Appellant argues that as a matter of law merely placing poster images along a timeline is not a transformative use. Appellant asserts that each reproduced image should have been accompanied by comment or criticism related to the artistic nature of the image.

[8] We disagree with Appellant’s limited interpretation of transformative use and we agree with the district court that DK’s actual use of each image is transformatively different from the original expressive purpose. Preliminarily, we recognize, as the district court did, that *Illustrated Trip* is a biographical work documenting
the 30-year history of the Grateful Dead. While there are no categories of presumptively fair use, courts have frequently afforded fair use protection to the use of copyrighted material in biographies, recognizing such works as forms of historic scholarship, criticism, and comment that require incorporation of original source material for optimum treatment of their subjects. No less a recognition of biographical value is warranted in this case simply because the subject made a mark in pop culture rather than some other area of human endeavor.

Figure 95: Bill Graham Grateful Dead concert poster (top), and use of it in Dorling Kindersley book (bottom)
[9] In the instant case, DK’s purpose in using the copyrighted images at issue in its biography of the Grateful Dead is plainly different from the original purpose for which they were created. Originally, each of BGA’s images fulfilled the dual purposes of artistic expression and promotion. The posters were apparently widely distributed to generate public interest in the Grateful Dead and to convey information to a large number of people about the band’s forthcoming concerts. In contrast, DK used each of BGA’s images as historical
artifacts to document and represent the actual occurrence of Grateful Dead concert events featured on *Illustrated Trip*'s timeline.

[10] In some instances, it is readily apparent that DK’s image display enhances the reader’s understanding of the biographical text. In other instances, the link between image and text is less obvious; nevertheless, the images still serve as historical artifacts graphically representing the fact of significant Grateful Dead concert events selected by the *Illustrated Trip*’s author for inclusion in the book’s timeline. We conclude that both types of uses fulfill DK’s transformative purpose of enhancing the biographical information in *Illustrated Trip*, a purpose separate and distinct from the original artistic and promotional purpose for which the images were created. In sum, because DK’s use of the disputed images is transformative both when accompanied by referencing commentary and when standing alone, we agree with the district court that DK was not required to discuss the artistic merits of the images to satisfy this first factor of fair use analysis.

[11] This conclusion is strengthened by the manner in which DK displayed the images. First, DK significantly reduced the size of the reproductions. While the small size is sufficient to permit readers to recognize the historical significance of the posters, it is inadequate to offer more than a glimpse of their expressive value. In short, DK used the minimal image size necessary to accomplish its transformative purpose.

[12] Second, DK minimized the expressive value of the reproduced images by combining them with a prominent timeline, textual material, and original graphical artwork, to create a collage of text and images on each page of the book. To further this collage effect, the images are displayed at angles and the original graphical artwork is designed to blend with the images and text. Overall, DK’s layout ensures that the images at issue are employed only to enrich the presentation of the cultural history of the Grateful Dead, not to exploit copyrighted artwork for commercial gain.

[13] Third, BGA’s images constitute an inconsequential portion of *Illustrated Trip*. The extent to which unlicensed material is used in the challenged work can be a factor in determining whether a biographer’s use of original materials has been sufficiently transformative to constitute fair use…. [O]ur circuit has counseled against considering the percentage the allegedly infringing work comprises of the copyrighted work in conducting third-factor fair use analysis …. We find this inquiry more relevant in the context of first-factor fair use analysis.

[14] In the instant case, the book is 480 pages long, while the BGA images appear on only seven pages. Although the original posters range in size from 13” x 19” to more than 19” x 27,” the largest reproduction of a BGA image in *Illustrated Trip* is less than 3” x 4 1/2,” less than 1/20 the size of the original. And no BGA image takes up more than one-eighth of a page in a book or is given more prominence than any other image on the page. In total, the images account for less than one-fifth of one percent of the book. This stands in stark contrast to … wholesale takings ..., and we are aware of no case where such an insignificant taking was found to be an unfair use of original materials.

[15] Finally, as to this first factor, we briefly address the commercial nature of *Illustrated Trip*. Even though *Illustrated Trip* is a commercial venture, we recognize that nearly all of the illustrative uses listed in the preamble paragraph of §107 are generally conducted for profit. Moreover, the crux of the profit/nonprofit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price. Here, *Illustrated Trip* does not exploit the use of BGA’s images as such for commercial gain. Significantly, DK has not used any of BGA’s images in its commercial advertising or in any other way to promote the sale of the book. *Illustrated Trip* merely uses pictures and text to describe the life of the Grateful Dead. By design, the use of BGA’s images is incidental to the commercial biographical value of the book.
Accordingly, we conclude that the first fair use factor weighs in favor of DK because DK’s use of BGA’s images is transformatively different from the images’ original expressive purpose and DK does not seek to exploit the images’ expressive value for commercial gain.

II. Nature of the Copyrighted Work ...

The district court determined that the second factor weighs against DK because the images are creative artworks, which are traditionally the core of intended copyright protection. Nevertheless, the court limited the weight it placed on this factor because the posters have been published extensively. Appellant agrees that the district court properly weighed the second factor against DK, although it questions the lesser protection given to published works. Appellees counter that because the images are mixed factual and creative works and have been long and extensively published, the second factor tilts toward fair use.

We agree with the district court that the creative nature of artistic images typically weighs in favor of the copyright holder. We recognize, however, that the second factor may be of limited usefulness where the creative work of art is being used for a transformative purpose. This is not a case ... in which ... the creative work was being used for the same decorative purpose as the original. Here, we conclude that DK is using BGA’s images for the transformative purpose of enhancing the biographical information provided in Illustrated Trip. Accordingly, we hold that even though BGA’s images are creative works, which are a core concern of copyright protection, the second factor has limited weight in our analysis because the purpose of DK’s use was to emphasize the images’ historical rather than creative value.

III. Amount and Substantiality of the Portion Used ...

The district court determined that even though the images are reproduced in their entirety, the third fair use factor weighs in favor of DK because the images are displayed in reduced size and scattered among many other images and texts. In faulting this conclusion, Appellant contends that the amount used is substantial because the images are copied in their entirety. Neither our court nor any of our sister circuits has ever ruled that the copying of an entire work favors fair use. At the same time, however, courts have concluded that such copying does not necessarily weigh against fair use because copying the entirety of a work is sometimes necessary to make a fair use of the image. Adopting this reasoning, we conclude that the third-factor inquiry must take into account that the extent of permissible copying varies with the purpose and character of the use.

Here, DK used BGA’s images because the posters and tickets were historical artifacts that could document Grateful Dead concert events and provide a visual context for the accompanying text. To accomplish this use, DK displayed reduced versions of the original images and intermingled these visuals with text and original graphic art. As a consequence, even though the copyrighted images are copied in their entirety, the visual impact of their artistic expression is significantly limited because of their reduced size. We conclude that such use by DK is tailored to further its transformative purpose because DK’s reduced size reproductions of BGA’s images in their entirety displayed the minimal image size and quality necessary to ensure the reader’s recognition of the images as historical artifacts of Grateful Dead concert events. Accordingly, the third fair use factor does not weigh against fair use.

IV. Effect of the Use upon the Market for or Value of the Original ...

In the instant case, the parties agree that DK’s use of the images did not impact BGA’s primary market for the sale of the poster images. Instead, we look to whether DK’s unauthorized use usurps BGA’s potential to develop a derivative market. Appellant argues that DK interfered with the market for licensing its images for use in books. Appellant contends that there is an established market for licensing its images and it suffered both the loss of royalty revenue directly from DK and the opportunity to obtain royalties from others.
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[22] It is indisputable that, as a general matter, a copyright holder is entitled to demand a royalty for licensing others to use its copyrighted work, and that the impact on potential licensing revenues is a proper subject for consideration in assessing the fourth factor. We have noted, however, that were a court automatically to conclude in every case that potential licensing revenues were impermissibly impaired simply because the secondary user did not pay a fee for the right to engage in the use, the fourth fair use factor would always favor the copyright holder. Accordingly, we do not find a harm to BGA’s license market merely because DK did not pay a fee for BGA’s copyrighted images.

[23] Instead, we look at the impact on potential licensing revenues for traditional, reasonable, or likely to be developed markets. In order to establish a traditional license market, Appellant points to the fees paid to other copyright owners for the reproduction of their images in Illustrated Trip. Moreover, Appellant asserts that it established a market for licensing its images, and in this case expressed a willingness to license images to DK. Neither of these arguments shows impairment to a traditional, as opposed to a transformative market.

[24] … [W]e hold that DK’s use of BGA’s images is transformatively different from their original expressive purpose. In a case such as this, a copyright holder cannot prevent others from entering fair use markets merely by developing or licensing a market for parody, news reporting, educational or other transformative uses of its own creative work. Copyright owners may not preempt exploitation of transformative markets. Moreover, a publisher’s willingness to pay license fees for reproduction of images does not establish that the publisher may not, in the alternative, make fair use of those images. Since DK’s use of BGA’s images falls within a transformative market, BGA does not suffer market harm due to the loss of license fees….

[25] On balance, we conclude, as the district court did, that the fair use factors weigh in favor of DK’s use....

NOTE

1. Recall the case discussed in Chapter II with regard to “created facts,” in which the producer of the Seinfeld television series sued the publisher of The Seinfeld Aptitude Test, a book filled with trivia questions about the series. Unlike Bill Graham Archives, the Second Circuit held that the defendants infringed the plaintiff’s copyrights and did not qualify for a fair use defense. Castle Rock Entm’t, Inc. v. Carol Publ’g Grp., Inc., 150 F.3d 132 (2d Cir. 1997). The court did not accept the defendants’ characterization that The Seinfeld Aptitude Test was a reference or critical work. In analyzing the first fair use factor, it stated:

Any transformative purpose possessed by The SAT [(The Seinfeld Aptitude Test)] is slight to non-existent. We reject the argument that The SAT was created to educate Seinfeld viewers or to criticize, “expose,” or otherwise comment upon Seinfeld. The SAT’s purpose, as evidenced definitively by the statements of the book’s creators and by the book itself, is to repackaging Seinfeld to entertain Seinfeld viewers. The SAT’s back cover makes no mention of exposing Seinfeld to its readers, for example, as a pitiable vacuous reflection of a puerile and pervasive television culture, but rather urges SAT readers to “open this book to satisfy [their] between-episode [Seinfeld] cravings.” Golub, The SAT’s author, described the trivia quiz book not as a commentary or a Seinfeld research tool, but as an effort to “capture Seinfeld’s flavor in quiz book fashion.” Finally, even viewing The SAT in the light most favorable to defendants, we find scant reason to conclude that this trivia quiz book seeks to educate, criticize, parody, comment, report upon, or research Seinfeld, or otherwise serve a transformative purpose. The book does not contain commentary or analysis about Seinfeld, nor does it suggest how The SAT can be used to research Seinfeld; rather, the book simply poses trivia questions. The SAT’s plain purpose, therefore, is not to expose Seinfeld’s “nothingness,” but to satiate Seinfeld fans’ passion for the “nothingness” that Seinfeld has elevated into the realm of protectable creative expression.
As to the fourth fair use factor, the Second Circuit reasoned that “[u]nlike parody, criticism, scholarship, news reporting, or other transformative uses, The SAT substitutes for a derivative market that a television program copyright owner such as Castle Rock would in general develop or license others to develop.” *Id.* at 145. Is *Castle Rock* reconcilable with *Bill Graham Archives* on this front?

Over the years, there have been prominent infringement cases about whether a visual artist can use preexisting artwork from another artist for use in subsequent “appropriation art.” The Second Circuit decided an important case in this area in *Rogers v. Koons*, 960 F.2d 301 (2d Cir. 1992). In that case, photographer Art Rogers sued artist Jeff Koons for copyright infringement. Koons had created his sculpture “String of Puppies” based on Rogers’ photograph “Puppies,” which Koons claimed to have purchased in the form of a notecard in a “very commercial, tourist-like card shop.” Rogers’ photograph and Koons’ sculpture are shown in Figure 97.

Figure 97: Art Rogers “Puppies” photograph (top), and Jeff Koons “String of Puppies” sculpture (bottom)
Koons created “String of Puppies” as one of twenty sculptures for an exhibition he called the Banality Show. The Second Circuit recounted Koons’ understanding of the show and the pieces he was creating for it:

He believed [Rogers’ photograph] to be typical, commonplace and familiar. The notecard was also similar to other images of people holding animals that Koons had collected. Thus, he viewed the picture as part of the mass culture—“resting in the collective sub-consciousness of people regardless of whether the card had actually ever been seen by such people.”

[Koons] gave his artisans one of Rogers’ notecards and told them to copy it. But in order to guide the creation of a three-dimensional sculptural piece from the two-dimensional photograph, Koons communicated extensively with the … [s]tudio. He visited it once a week during the period the piece was being carved by the workers and gave them written instructions. In his “production notes” Koons stressed that he wanted “Puppies” copied faithfully in the sculpture.…

Three of the four copies Koons made sold for a total of $367,000. Koons defended himself against Rogers’ claim of infringement by asserting fair use. In particular, he maintained that his sculpture is a protected parody or satire. As explained by the Second Circuit, Koons argued that his sculpture is a satire or parody of society at large. He insists that “String of Puppies” is a fair social criticism and asserts to support that proposition that he belongs to the school of American artists who believe the mass production of commodities and media images has caused a deterioration in the quality of society, and this artistic tradition of which he is a member proposes through incorporating these images into works of art to comment critically both on the incorporated object and the political and economic system that created it. These themes, Koons states, draw upon the artistic movements of Cubism and Dadaism, with particular influence attributed to Marcel Duchamp, who in 1913 became the first to incorporate manufactured objects (readymades) into a work of art, directly influencing Koons’ work and the work of other contemporary American artists.

The Second Circuit refused to accept Koons’ characterization of his work as a parody of Rogers’: [T]he copied work must be, at least in part, an object of the parody, otherwise there would be no need to conjure up the original work.

We think this is a necessary rule, as were it otherwise there would be no real limitation on the copier’s use of another’s copyrighted work to make a statement on some aspect of society at large. If an infringement of copyrightable expression could be justified as fair use solely on the basis of the infringer’s claim to a higher or different artistic use—without insuring public awareness of the original work—there would be no practicable boundary to the fair use defense. Koons’ claim that his infringement of Rogers’ work is fair use solely because he is acting within an artistic tradition of commenting upon the commonplace thus cannot be accepted. The rule’s function is to insure that credit is given where credit is due. By requiring that the copied work be an object of the parody, we merely insist that the audience be aware that underlying the parody there is an original and separate expression, attributable to a different artist. This awareness may come from the fact that the copied work is publicly known or because its existence is in some manner acknowledged by the parodist in connection with the parody. Of course, while our view of this matter does not necessarily prevent Koons’ expression, although it may, it does recognize that any such exploitation must at least entail paying the customary price.
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The problem in the instant case is that even given that “String of Puppies” is a satirical critique of our materialistic society, it is difficult to discern any parody of the photograph “Puppies” itself. We conclude therefore that this first factor of the fair use doctrine cuts against a finding of fair use. The circumstances of this case indicate that Koons’ copying of the photograph “Puppies” ... did not constitute a parody of the original work.

The court proceeded to find that Koons was not entitled to a fair use defense, as the other three statutory fair use factors also weighed against Koons.

This decision caused some observers to think that creators of appropriation art would rarely be able to assert fair use as a successful defense unless the appropriated art was itself well-known. E.g., Willajeanne F. McLean, All’s Not Fair in Art and War: A Look at the Fair Use Defense After Rogers v. Koons, 59 BROOK. L. REV. 373 (1993).

Consider whether that view was and remains correct as you read this subsequent case in the Second Circuit on appropriation art (again, with defendant Koons). Also, can you reconcile the following case with Rogers?

Andrea Blanch v. Jeff Koons
467 F.3d 244 (2d Cir. 2006)

SACK, J.:

[1] This appeal presents the question whether an artist’s appropriation of a copyrighted image in a collage painting is, under the circumstances, protected “fair use” under the copyright law. ....

[2] Jeff Koons is a visual artist. His work has been exhibited widely in museums and commercial galleries and has been the subject of much critical commentary. He is known for incorporating into his artwork objects and images taken from popular media and consumer advertising, a practice that has been referred to as “neo-Pop art” or (perhaps unfortunately in a legal context) “appropriation art.” His sculptures and paintings often contain such easily recognizable objects as toys, celebrities, and popular cartoon figures.

[3] Koons has been the subject of several previous lawsuits for copyright infringement. In the late 1980s, he created a series of sculptures for an exhibition entitled the “Banality Show.” In doing so, he commissioned large three-dimensional reproductions of images taken from such sources as commercial postcards and syndicated comic strips. Although many of the source images were copyrighted, Koons did not seek permission to use them. In separate cases based on three different sculptures from “Banality,” this Court and two district courts concluded that Koons’s use of the copyrighted images infringed on the rights of the copyright holders and did not constitute fair use under the copyright law. See Rogers v. Koons, 960 F.2d 301 (2d Cir. 1992); Campbell v. Koons, No. 91 Civ. 6055, 1993 WL 97381, 1993 U.S. Dist. LEXIS 3957 (S.D.N.Y. Apr.1, 1993); United Feature Syndicate v. Koons, 817 F. Supp. 370 (S.D.N.Y. 1993) ....

[4] To create the “Easyfun-Ethereal” paintings, Koons culled images from advertisements or his own photographs, scanned them into a computer, and digitally superimposed the scanned images against backgrounds of pastoral landscapes. He then printed color images of the resulting collages for his assistants to use as templates for applying paint to billboard-sized, 10’ x 14’ canvasses. The “Easyfun-Ethereal”
paintings, seven in all, were exhibited at the Deutsche Guggenheim Berlin from October 2000 to January 2001.

[5] One of the “Easyfun-Ethereal” paintings, “Niagara,” is the subject of this action. Like the other paintings in the series, “Niagara” consists of fragmentary images collaged against the backdrop of a landscape. The painting depicts four pairs of women’s feet and lower legs dangling prominently over images of confections—a large chocolate fudge brownie topped with ice cream, a tray of donuts, and a tray of apple danish pastries—with a grassy field and Niagara Falls in the background. The images of the legs are placed side by side, each pair pointing vertically downward and extending from the top of the painting approximately two-thirds of the way to the bottom. Together, the four pairs of legs occupy the entire horizontal expanse of the painting....

[6] In an affidavit submitted to the district court, Koons states that he was inspired to create “Niagara” by a billboard he saw in Rome, which depicted several sets of women’s lower legs. By juxtaposing women’s legs against a backdrop of food and landscape, he says, he intended to “comment on the ways in which some of our most basic appetites—for food, play, and sex—are mediated by popular images.” “By re-contextualizing these fragments as I do, I try to compel the viewer to break out of the conventional way of experiencing a particular appetite as mediated by mass media.” ...

[7] Koons drew the images in “Niagara” from fashion magazines and advertisements. One of the pairs of legs in the painting was adapted from a photograph by the plaintiff Andrea Blanch, an accomplished professional fashion and portrait photographer. During her career of more than twenty years, Blanch has published her photographs in commercial magazines, including Details, G.O., Vogue, and Allure; in photography periodicals and collections; and in advertisements for clients selling products under such widely recognized names as Revlon, Universal Films, Johnny Walker, and Valentino. She is also the author of a book of photographs and interviews entitled Italian Men: Love & Sex.

[8] The Blanch photograph used by Koons in “Niagara” appeared in the August 2000 issue of Allure magazine. Entitled “Silk Sandals by Gucci,” it depicts a woman’s lower legs and feet, adorned with bronze nail polish and glittery Gucci sandals, resting on a man’s lap in what appears to be a first-class airplane cabin. The legs and feet are shot at close range and dominate the photograph. Allure published “Silk Sandals” as part of a six-page feature on metallic cosmetics entitled “Gilt Trip.” ...

[9] Blanch photographed “Silk Sandals” at a “shoot” organized by Condé Nast Publications, Allure’s publisher. According to Blanch’s deposition testimony, Paul Cavaco, the creative director of Allure, suggested the model, sandals, and nail polish to be used in the photograph. Blanch participated in their selection and retained control over the camera, the film, the lighting, and the composition of the photographs. She testified that it was her idea to use an airplane interior as a backdrop and to place the female model’s feet on the male model’s lap. She explained that she wanted to “show some sort of erotic sense; to get more of a sexuality to the photographs.” ...

[10] While working on the “Easyfun-Ethereal” series, Koons saw “Silk Sandals” in Allure. According to Koons, “certain physical features of the legs [in the photograph] represented for me a particular type of woman frequently presented in advertising.” He considered this typicality to further his purpose of commenting on the “commercial images in our consumer culture.”

[11] Koons scanned the image of “Silk Sandals” into his computer and incorporated a version of the scanned image into “Niagara.” He included in the painting only the legs and feet from the photograph, discarding the background of the airplane cabin and the man’s lap on which the legs rest. Koons inverted the orientation of the legs so that they dangle vertically downward above the other elements of “Niagara” rather than slant upward at a 45-degree angle as they appear in the photograph. He added a heel to one of the feet and
modified the photograph’s coloring. The legs from “Silk Sandals” are second from the left among the four pairs of legs that form the focal images of “Niagara.” Koons did not seek permission from Blanch or anyone else before using the image.

[Figure 98: Andrea Blanch’s “Silk Sandals by Gucci” photograph (left), and Jeff Koons’ “Niagara” (right)]

[12] Deutsche Bank paid Koons $2 million for the seven “Easyfun–Ethereal” paintings. Koons reports that his net compensation attributable to “Niagara” was $126,877....

[13] … In 2004, the auction house Sotheby’s reportedly appraised “Niagara” at $1 million. The work has not, however, been sold....

[14] *Allure* paid Blanch $750 for “Silk Sandals.” Although Blanch retains the copyright to the photograph, she has neither published nor licensed it subsequent to its appearance in *Allure*. Indeed, Blanch does not allege that she has ever licensed any of her photographs for use in works of graphic art or other visual art. At her deposition, Blanch testified that Koons’s use of the photograph did not cause any harm to her career or upset any plans she had for “Silk Sandals” or any other photograph in which she has rights. She also testified that, in her view, the market value of “Silk Sandals” did not decrease as the result of Koons’s alleged infringement....

[15] [Blanch] filed this lawsuit asserting that Koons infringed her copyright in “Silk Sandals”....

[16] Copyright law ... must address the inevitable tension between the property rights it establishes in creative works, which must be protected up to a point, and the ability of authors, artists, and the rest of us to express them—or ourselves by reference to the works of others, which must be protected up to a point. The fair-use doctrine mediates between the two sets of interests, determining where each set of interests ceases to control....

[17] As the words of section 107 indicate, the determination of fair use is an open-ended and context-sensitive inquiry.... The ultimate test of fair use is whether the copyright law’s goal of “promoting the Progress of Science and useful Arts,” U.S. CONST., art. I, § 8, cl. 8, would be better served by allowing the use than by preventing it.
A. First Factor: The Purpose and Character of the Use ...

[18] 1. “Transformative” Use. ...

[19] Koons does not argue that his use was transformative solely because Blanch’s work is a photograph and his a painting, or because Blanch’s photograph is in a fashion magazine and his painting is displayed in museums. He would have been ill advised to do otherwise. We have declined to find a transformative use when the defendant has done no more than find a new way to exploit the creative virtues of the original work.⁴

[20] But Koons asserts—and Blanch does not deny—that his purposes in using Blanch’s image are sharply different from Blanch’s goals in creating it. The sharply different objectives that Koons had in using, and Blanch had in creating, “Silk Sandals” confirms the transformative nature of the use.

[21] Koons is, by his own undisputed description, using Blanch’s image as fodder for his commentary on the social and aesthetic consequences of mass media. His stated objective is thus not to repackage Blanch’s “Silk Sandals,” but to employ it in the creation of new information, new aesthetics, new insights and understandings. When, as here, the copyrighted work is used as raw material in the furtherance of distinct creative or communicative objectives, the use is transformative.

[22] The test for whether “Niagara’s” use of “Silk Sandals” is “transformative,” then, is whether it merely supersedes 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. The test almost perfectly describes Koons’s adaptation of “Silk Sandals”: the use of a fashion photograph created for publication in a glossy American “lifestyles” magazine—with changes of its colors, the background against which it is portrayed, the medium, the size of the objects pictured, the objects’ details and, crucially, their entirely different purpose and meaning—as part of a massive painting commissioned for exhibition in a German art-gallery space. We therefore conclude that the use in question was transformative.

[23] 2. Commercial Use. Koons made a substantial profit from the sale of “Niagara.” ...

[24] ... [H]ere, since the new work is substantially transformative, the significance of other factors, including commercialism, are of less significance. We therefore discount the secondary commercial nature of the use.

[25] It can hardly be said, moreover, that the defendants’ economic gains from “Niagara” were to the exclusion of broader public benefits. Notwithstanding the fact that artists are sometimes paid and museums sometimes earn money, the public exhibition of art is widely and we think properly considered to have value that benefits the broader public interest.

[26] 3. Parody, Satire, and Justification for the Copying. The secondary work in Campbell was a parody, and some of the language in the opinion, and some of the cases following it are specifically about parody. “Niagara,” on the other hand, may be better characterized for these purposes as satire—its message appears to target the genre of which “Silk Sandals” is typical, rather than the individual photograph itself.

[27] ... [T]he broad principles of Campbell are not limited to cases involving parody. But the satire/parody distinction may nevertheless be relevant to the application of these principles. As the Campbell Court observed, “[p]arody needs to mimic an original to make its point, and so has some claim to use the creation of

⁴ It has been suggested that the exploitation of new, complementary markets is the hallmark of fair use. But ... this reasoning is in tension with the Copyright Act’s express grant to copyright holders of rights over derivative works. A derivative use can certainly be complementary to, or fulfill a different function from, the original.
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its victim’s (or collective victims’) imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing.” *Campbell*, 510 U.S. at 580–81.

[28] It is not, of course, our job to judge the merits of “Niagara,” or of Koons’s approach to art. The question is whether Koons had a genuine creative rationale for borrowing Blanch’s image, rather than using it merely “to get attention or to avoid the drudgery in working up something fresh.” *Id.* at 580. Although it seems clear enough to us that Koons’s use of a slick fashion photograph enables him to satirize life as it appears when seen through the prism of slick fashion photography, we need not depend on our own poorly honed artistic sensibilities. Koons explained, without contradiction, why he used Blanch’s image:

> Although the legs in the Allure Magazine photograph ["Silk Sandals"] might seem prosaic, I considered them to be necessary for inclusion in my painting rather than legs I might have photographed myself. The ubiquity of the photograph is central to my message. The photograph is typical of a certain style of mass communication. Images almost identical to them can be found in almost any glossy magazine, as well as in other media. To me, the legs depicted in the Allure photograph are a fact in the world, something that everyone experiences constantly; they are not anyone’s legs in particular. By using a fragment of the Allure photograph in my painting, I thus comment upon the culture and attitudes promoted and embodied in Allure Magazine. By using an existing image, I also ensure a certain authenticity or veracity that enhances my commentary—it is the difference between quoting and paraphrasing—and ensure that the viewer will understand what I am referring to.\(^5\)

We conclude that Koons thus established a justification for the very act of his borrowing. Whether or not Koons could have created “Niagara” without reference to “Silk Sandals,” we have been given no reason to question his statement that the use of an existing image advanced his artistic purposes….

[29] … Because Koons’s appropriation of Blanch’s photograph in “Niagara” was intended to be—and appears to be—“transformative,” [and] because the creation and exhibition of the painting cannot fairly be described as commercial exploitation and the “commerciality” of the use is not dispositive in any event, … the first fair-use factor strongly favors the defendants.

B. Second Factor: Nature of the Copyrighted Work …

[30] As noted, Blanch’s “Silk Sandals” was published…. [T]hat fact favors the defendants.

[31] …. Accepting that “Silk Sandals” is a creative work, … it does not follow that the second fair-use factor, even if it somewhat favors Blanch, has significant implications for on our overall fair-use analysis…. To paraphrase *Bill Graham Archives*, the second fair-use factor has limited weight in our analysis because Koons used Blanch’s work in a transformative manner to comment on her image’s social and aesthetic meaning rather than to exploit its creative virtues.

C. Third Factor: Amount and Substantiality of the Portion Used …

[32] … Koons asserts that his artistic goals led him to incorporate preexisting images such as Blanch’s photograph into his paintings in order to reference certain “fact[s] in the world.” The issue here is not “justification,” which we addressed [above]. The question is whether, once he chose to copy “Silk Sandals,” he

\(^5\) Koons’s clear conception of his reasons for using “Silk Sandals,” and his ability to articulate those reasons, ease our analysis in this case. We do not mean to suggest, however, that either is a *sine qua non* for a finding of fair use—as to satire or more generally.
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did so excessively, beyond his “justified” purpose for doing so in the first place—whether the use was reasonable in relation to the purpose of the copying.

[33] It seems to us that Koons’s copying of “Silk Sandals” was indeed reasonable when measured in light of his purpose, to convey the “fact” of the photograph to viewers of the painting, and in light of the quantity, quality, and importance of the material used. He did not copy those aspects of “Silk Sandals” whose power lies in Blanch’s individualized expression. As Blanch testified in her deposition, her key creative decisions in the shoot were the choice of an airplane cabin as a setting and her placement of the female model’s legs on the male model’s lap. But neither the airplane background nor the man’s lap appear in “Niagara.” It depicts only the woman’s legs and sandal-clad feet. In light of Koons’s choice to extract the legs, feet, and sandals in “Silk Sandals” from their background, we find his statement that he copied only that portion of the image necessary to evoke “a certain style of mass communication” to be persuasive. We conclude that the amount and substantiality of Koons’s copying was reasonable in relation to the purpose of the copying…. [W]e think that [the third factor] weighs distinctly in Koons’s favor....

D. Fourth Factor: Market Effects

[34] In considering the fourth factor, our concern is not whether the secondary use suppresses or even destroys the market for the original work or its potential derivatives, but whether the secondary use usurps the market of the original work....

[35] Blanch acknowledges that she has not published or licensed “Silk Sandals” subsequent to its appearance in Allure, that she has never licensed any of her photographs for use in works of graphic or other visual art, that Koons’s use of her photograph did not cause any harm to her career or upset any plans she had for “Silk Sandals” or any other photograph, and that the value of “Silk Sandals” did not decrease as the result of Koons’s alleged infringement. In light of these admissions, it is plain that “Niagara” had no deleterious effect “upon the potential market for or value of the copyrighted work.” The fourth fair-use factor greatly favors Koons....

[36] Having explored the statutory factors and weighed them together in light of the purposes of copyright, we think that the district court’s conclusion was correct—that copyright law’s goal of “promoting the Progress of Science and useful Arts,” U.S. CONST., art. I, § 8, cl. 8, would be better served by allowing Koons’s use of “Silk Sandals” than by preventing it. We therefore conclude that neither he nor the other defendants engaged in or are liable for copyright infringement....

NOTES

1. In a more recent case in the Second Circuit on appropriation art, the Second Circuit concluded that most, but not necessarily all, of defendant Richard Prince’s appropriations of plaintiff Patrick Cariou’s photographs were fair use. At issue was the use of Cariou’s photographs that he took while he spent six years living with Rastafarians in Jamaica and which were published in a book Yes Rasta. An example is shown in Figure 99.

8 We have sometimes found that the fourth factor favors the plaintiff even in the absence of evidence that the plaintiff has tapped, or even intends to tap, a derivative market. But nothing in the record here suggests that there was a derivative market for Blanch to tap into that is in any way related to Koons’s use of her work, even if she dearly wanted to. And it is of course circular to assert simply that if we were to hold in her favor she could then charge Koons for his further use of “Silk Sandals.”
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Prince bought copies of Cariou’s book and used photographs in them to create his Canal Zone series. The series has thirty-one pieces of art, thirty of which incorporate whole or partial images from Yes Rasta. Two examples of Prince’s works from this series are shown in Figure 100.

Cariou sued Prince for infringement. As to the first fair use factor, the Second Circuit reasoned:

[O]ur observation of Prince’s artworks themselves convinces us of the transformative nature of all but five .... These twenty-five of Prince’s artworks manifest an entirely different aesthetic from Cariou’s photographs. Where Cariou’s serene and deliberately composed portraits and landscape photographs depict the natural beauty of Rastafarians and their surrounding environs, Prince’s crude and jarring works, on the other hand, are hectic and provocative. Cariou’s black-and-white photographs were printed in a 9 1/2” x 12” book. Prince has created collages on canvas that incorporate color, feature distorted human and other forms and settings, and measure between ten and nearly a hundred times the size of the photographs.
Prince's composition, presentation, scale, color palette, and media are fundamentally different and new compared to the photographs, as is the expressive nature of Prince's work.

Prince's deposition testimony further demonstrates his drastically different approach and aesthetic from Cariou's. Prince testified that he "[doesn't] have any real[] interest in what [another artist's] original intent is because ... what I do is I completely try to change it into something that's completely different.... I'm trying to make a kind of fantastic, absolutely hip, up to date, contemporary take on the music scene." ...

The district court based its conclusion that Prince's work is not transformative in large part on Prince's deposition testimony that he "do[es]n't really have a message," that he was not "trying to create anything with a new meaning or a new message," and that he "do[es]n't have any ... interest in [Cariou's] original intent." On appeal, Cariou argues that we must hold Prince to his testimony and that we are not to consider how Prince's works may reasonably be perceived unless Prince claims that they were satire or parody. No such rule exists, and we do not analyze satire or parody differently from any other transformative use.

It is not surprising that, when transformative use is at issue, the alleged infringer would go to great lengths to explain and defend his use as transformative. Prince did not do so here. However, the fact that Prince did not provide those sorts of explanations in his deposition—which might have lent strong support to his defense—is not dispositive. What is critical is how the work in question appears to the reasonable observer, not simply what an artist might say about a particular piece or body of work. Prince's work could be transformative even without commenting on Cariou's work or on culture, and even without Prince's stated intention to do so. Rather than confining our inquiry to Prince's explanations of his artworks, we instead examine how the artworks may reasonably be perceived in order to assess their transformative nature....

Cariou v. Prince, 714 F.3d 694, 706-07 (2d Cir. 2013). Should authorial intent be relevant? Should the ordinary observer's reaction be the touchstone of transformativeness? For how Cariou's analytical framework aligns with reader response theory, a literary theory that situates the reader of a work as the focal point through which to assess a work's meaning, see Laura A. Heymann, Reasonable Appropriation and Reader Response, 9 U.C. IRVINE L. REV. 343 (2019); Laura A. Heymann, Everything Is Transformative: Fair Use and Reader Response, 31 COLUM. J.L. & ARTS 445 (2008).

2. Richard Prince is currently the defendant in multiple other copyright infringement lawsuits over his New Portraits series. This series consisted almost entirely of other people's Instagram posts, as shown in Figure 101. Richard Prince created the New Portraits series by searching other people's Instagram posts; when he found an image he liked, he added his own online comment to the user's post, screen-grabbed the image, and emailed it to an assistant, who had it inkjet-printed and stretched on canvas. The resulting series of six-by-four-foot works sold for $90,000 to $100,000 each. Prince's only changes to the users' Instagram posts (other than printing them out in large format) were the addition of his own brief online comments, alternately salacious and nonsensical, often appropriated from things he heard on television as he found the image. The bulk of the photos he chose from Instagram were vaguely prurient selfies of young, attractive women. They also included a smattering of artists and celebrities like Taylor Swift and Kate Moss. Several of the New Portraits were based on photos posted by the Suicide Girls, young women in an alt-porn pin-up collective.

Four different parties whose images Prince appropriated have sued him for copyright infringement. In one of those cases, a district court has denied Prince's motion to dismiss on the ground that Prince's use of the plaintiff's photograph was not transformative as a matter of law—as per Cariou—because "Prince's work does not belong to a class of secondary works that are so aesthetically different from the originals that they can
pass the Second Circuit’s ‘reasonable viewer’ test as a matter of law.” Graham v. Prince, 265 F. Supp. 3d 366, 380 (S.D.N.Y. 2017). As the court explained, Prince "simply reproduces the entirety of Graham’s photograph—with some de minimis cropping—in the frame of an Instagram post, along with a cryptic comment written by Prince.”

Yet one set of “victims” responded to the appropriation in true Richard Prince spirit. Rather than filing a lawsuit, the Suicide Girls decided to retaliate by reappropriating Prince’s appropriations of five of their original images. They then sold the reappropriations themselves online, underselling their copyist in the marketplace. Like Prince, they made a slight alteration to each appropriated image, adding their own comment after Prince’s added comment before printing. Their added comment was overtly shaming: “true art.” Other than that, they produced works identical to his: inkjet-printed canvases of the same Instagram posts in the same dimensions. The dramatic difference was price. Instead of Prince’s $90,000 price tag, the Suicide Girls’ nearly identical copies were offered at a mere $90. All profits from their sales went to the nonprofit organization Electronic Frontier Foundation. Figure 102 shows an image from the Suicide Girls’ website advertising one of their reappropriations of Prince’s appropriation, side by side.

The Suicide Girls’ move was an instant internet sensation, as bloggers and reporters hailed the Suicide Girls’ act of payback. Appealing to the sense of online outrage that Prince’s appropriation had caused, the Suicide Girls portrayed themselves as—and indeed might have felt like—online avenging goddesses. Suicide Girls founder Missy Suicide told the press that “The thing about Prince’s theft of the images is that it feels like such a violation by someone who doesn’t get it.” She pondered, “Do we have Mr. Prince’s permission to sell these prints? We have the same permission from him that he had from us. ;).” The move elicited not only adoring media coverage. It also generated sales. In one day, the Suicide Girls sold more than 250 prints and soon the entire run sold out. Indeed, Richard Prince himself retweeted their retakings of “his” work, in effect advertising the copies. Instead of seeing the Suicide Girls as siphoning from his profit, Prince welcomed the Suicide Girls on the gravy train, tweeting that the move was “smart.”

The Suicide Girls’ reappropriation raised money, spread their fame, enacted a sort of public revenge on their appropriator, and vindicated the connection the creators felt to their work. As Missy Suicide explained, “Instagram is such an expression of our identity and to have an old dude steal [our Instagram photos] and get paid such a significant fee for them hurt. We have seen more attention from media and have received tons of messages of support, it has been a little overwhelming, in a good way.”
This jiu-jitsu self-help move stood in stark contrast to the conventional litigation route chosen by other unhappy subjects of Prince’s works. Unlike litigation, which can be long, expensive, and, as we know from Prince’s previous litigation, uncertain in outcome with regard to fair use, the Suicide Girls made a quick and big splash, achieving an immediate sense of vindication, spreading their fame, making money (for charity), and gaining new admirers for their vigilant response. For other examples of people taking copyright law into their own hands and analysis of whether this phenomenon should be celebrated or extinguished, see Amy Adler & Jeanne C. Fromer, Taking Intellectual Property into Their Own Hands, 107 CALIF. L. REV. 1455 (2019).

Figure 102: Suicide Girls’ advertisement

3. For an argument that the transformative test “poses a fundamental threat to art because the test evaluates art by the very criteria that contemporary art rejects,” see Amy Adler, Fair Use and the Future of Art, 91 N.Y.U. L. REV. 559 (2016). Specifically, Adler argues that “the transformative inquiry asks precisely the wrong questions about contemporary art. It requires courts to search for ‘meaning’ and ‘message’ when one goal of so much current art is to throw the idea of stable meaning into play. It requires courts to ask if that message is ‘new’ when so much contemporary art rejects the goal of newness, using copying as a primary building block of creativity.”

B. Market Failure and Market Effect

Now that you have explored some of the fundamental purposes of fair use and the multi-factored analysis in the context of traditional media, this section explores how to think about the background market conditions
that affect and ought to affect whether a use qualifies as fair. In particular, you will read about conditions of market failure and the market effects of a defendant’s use of a copyrighted work.

In economics, market failure is understood to be a situation in which the market does not allocate goods or services efficiently, typically leading to a net loss of social welfare. As one example outside the context of copyright law, even though there is great social cost from pollution, absent market intervention, businesses might rationally be disposed to pollute as a byproduct of manufacturing, for example, because their private cost of doing so is low when no law forces them to pay the external social cost of pollution. Law can intervene to ameliorate this problem by requiring businesses to internalize the social costs of pollution—for example, by imposing taxes on emissions—thereby reducing this externality problem.

In the context of copyright, one can similarly probe whether copyright markets are sometimes causing net social losses. As Wendy Gordon explained in the seminal work on this issue:

Though the copyright law ... has provided mechanisms to facilitate consensual transfers, at times bargaining may be exceedingly expensive or it may be impractical to obtain enforcement against nonpurchasers, or other market flaws might preclude achievement of desirable consensual exchanges. In those cases, the market cannot be relied on to mediate public interests in dissemination and private interests in remuneration. In extreme instances, Congress may correct for market distortions by imposing a regulatory solution such as a compulsory licensing scheme. Thus, to avoid threatened monopolistic control over the manufacture of piano rolls and other mechanical recordings, Congress provided that any person who wished could make and sell recordings of copyrighted music, so long as he paid to the copyright owner an amount determined under the statute. But the broad brush of this regulatory solution is too sweeping for most cases.

Fair use is one label courts use when they approve a user’s departure from the market. A useful starting place for analysis of when fair use is appropriate is therefore an identification of when flaws in the market might make reliance on the judiciary’s own analysis of social benefit appropriate. By making such an identification, a measure of coherence can be brought to the doctrine of fair use.... [T]here are certain conditions of perfect competition—or assumptions about how a proper transactional setting should look—whose failure is particularly likely to trigger in the courts an unwillingness to rely on the owner’s market right to achieve dissemination.


What can cause this sort of market failure that might justify a finding of fair use? Gordon identifies some possibilities. First, transaction costs can make it impossible or impracticable for a would-be user of a copyrighted work to reach a deal with the copyright holder. Gordon explains that “[i]f transaction costs exceed anticipated benefits, ... no transactions will occur. Thus, the confluence of two variables is likely to produce a market barrier: high transaction costs and low anticipated profits.” When this happens, some socially valuable transfers might not happen if copyright is enforced.

Additionally, positive externalities that society can experience from the use of copyrighted works but which are not appropriately valued, or internalized, in the marketplace might also prevent copyright transactions. In particular, as Gordon elaborates, “teaching and scholarship may yield significant ‘external benefits’; all of society benefits from having an educated citizenry and from advances in knowledge, yet teacher salaries and revenues from scholarly articles are arguably smaller than such benefit would warrant. When a defendant’s works yield such ‘external benefits,’ the market cannot be relied upon as a mechanism for facilitating socially
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desirable transactions.” In these cases, the potential user might not be able to afford the use of the copyrighted work through the market, even though society would benefit greatly from that potential use. That inability, to Gordon, “may signal to the court that it should investigate whether the social costs of relying on the market are unacceptably high” in analyzing fair use.

Finally, copyright owners might express anti-dissemination preferences in some contexts: for example, to prevent criticism of their works. In this situation, Gordon reasons that “[b]ecause the owner’s antidissemination motives make licensing unavailable in the consensual market, and because the free flow of information is at stake, a strong case for fair use can be advanced in these cases.”

Think through whether you are persuaded by Gordon’s framework for assessing fair use and whether any of the cases you read in the last section might fit into it.

As you read the following case, consider whether it can be explained as an attempt to address market failure.

Sony Corporation of America v. Universal City Studios, Inc.

STEVENS, J.:

[1] Petitioners manufacture and sell home video tape recorders. Respondents own the copyrights on some of the television programs that are broadcast on the public airwaves. Some members of the general public use video tape recorders sold by petitioners to record some of these broadcasts, as well as a large number of other broadcasts. The question presented is whether the sale of petitioners’ copying equipment to the general public violates any of the rights conferred upon respondents by the Copyright Act.

[2] Respondents commenced this copyright infringement action against petitioners .... Respondents alleged that some individuals had used Betamax video tape recorders (VTR’s) to record some of respondents’ copyrighted works which had been exhibited on commercially sponsored television and contended that these individuals had thereby infringed respondents’ copyrights....

[3] Petitioner Sony manufactures millions of Betamax video tape recorders ....

[4] Several capabilities of the machine are noteworthy. The separate tuner in the Betamax enables it to record a broadcast off one station while the television set is tuned to another channel, permitting the viewer, for example, to watch two simultaneous news broadcasts by watching one “live” and recording the other for later viewing. Tapes may be reused, and programs that have been recorded may be erased either before or after viewing. A timer in the Betamax can be used to activate and deactivate the equipment at predetermined times, enabling an intended viewer to record programs that are transmitted when he or she is not at home. Thus a person may watch a program at home in the evening even though it was broadcast while the viewer was at work during the afternoon. The Betamax is also equipped with a pause button and a fast-forward control. The pause button, when depressed, deactivates the recorder until it is released, thus enabling a viewer to omit a commercial advertisement from the recording, provided, of course, that the viewer is present when the program is recorded. The fast forward control enables the viewer of a previously recorded program to run the tape rapidly when a segment he or she does not desire to see is being played back on the television screen.
Figure 103: advertisement for Sony’s Betamax player
Announcing:
a new TV recording star!

Sony Betamax videocassette recorder, destined to be a superstar in your home entertainment scene! Even if you're not there, it records TV programs you don't want to miss, builds a priceless videotape library in no time, $1300.

If you've ever felt you'd give a million to see out at those glorious old Sitcom Shows or Wizard of Oz episodes again— ...you'll never forget to have the incomparable Lord of the Rings—then you'll want one, too! With Betamax, you've never asked to see or re-see any of the marvelous moments television has given us over the last 25 years, then you know Sony Betamax would be the best home entertainment investment you ever made.

Taking it to the max, you don't need a special or electronic television. Just play the Betamax into your TV set (even with broadcast black and white) and you're into the type scene, the time channel you want, and press 'record.' That's it. The Betamax records a full hour of your favorite program, then you can play it back at any time. When your TV set is free, you can record again. Of course, you can record onto your Betamax, too. By the way, Sony Betamax is the world's first tape system that can record right over any program, even if it's a digital broadcast from another channel.

With the Betamax, you can record your favorite shows, listen to your favorite albums, even play your own compositions. It's a true entertainment center. With the Betamax, you can record and play on any device, and it's compatible with any audio or video system. You can even use it to record your own TV programs, and listen to your favorite albums, and play your own compositions.

It's a digital time that automatically turns on with your set and the Betamax system in the program you're watching, right from the beginning. Your program then awaits you at your next leisure hour. If you don't want to watch the program, it's all so you made sound (including re-recording right over it).

With the National Network coming up, they're playing all the greatest classic World Series games you can recall. They're going to play the world's greatest games, and the entire network of the world's greatest games, and the entire network of the world's greatest games, and the entire network of the world's greatest games, and the entire network of the world's greatest games, and the entire network of the world's greatest games.

We report the most important news of the day, the most exciting events of the day, the most important events of the day, the most exciting events of the day, the most important events of the day, the most exciting events of the day, the most important events of the day, the most exciting events of the day, the most important events of the day, the most exciting events of the day.

Figure 104: advertisement for Sony's Betamax player.
The respondents and Sony both conducted surveys of the way the Betamax machine was used by several hundred owners during a sample period in 1978. Although there were some differences in the surveys, they both showed that the primary use of the machine for most owners was “time-shifting”—the practice of recording a program to view it once at a later time, and thereafter erasing it. Time-shifting enables viewers to see programs they otherwise would miss because they are not at home, are occupied with other tasks, or are viewing a program on another station at the time of a broadcast that they desire to watch. Both surveys also showed, however, that a substantial number of interviewees had accumulated libraries of tapes. Sony’s survey indicated that over 80% of the interviewees watched at least as much regular television as they had before owning a Betamax. Respondents offered no evidence of decreased television viewing by Betamax owners.

Sony introduced considerable evidence describing television programs that could be copied without objection from any copyright holder, with special emphasis on sports, religious, and educational programming. For example, their survey indicated that 7.3% of all Betamax use is to record sports events, and representatives of professional baseball, football, basketball, and hockey testified that they had no objection to the recording of their televised events for home use.

Respondents offered opinion evidence concerning the future impact of the unrestricted sale of VTR’s on the commercial value of their copyrights. The District Court found, however, that they had failed to prove any likelihood of future harm from the use of VTR’s for time-shifting.

The [copyright] privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.

The question [whether there is secondary liability [something we study later in Chapter VII, when we revisit this case]] is ... whether the Betamax is capable of commercially significant noninfringing uses. In order to resolve that question, we need not explore all the different potential uses of the machine and determine whether or not they would constitute infringement. Rather, we need only consider whether on the basis of the facts as found by the district court a significant number of them would be non-infringing. Moreover, in order to resolve this case we need not give precise content to the question of how much use is commercially significant. For one potential use of the Betamax plainly satisfies this standard, however it is understood: private, noncommercial time-shifting in the home. It does so both (A) because respondents have no right to prevent other copyright holders from authorizing it for their programs, and (B) because the District Court’s factual findings reveal that even the unauthorized home time-shifting of respondents’ programs is legitimate fair use.

The findings of the District Court make it clear that time-shifting may enlarge the total viewing audience and that many producers are willing to allow private time-shifting to continue, at least for an experimental time period.

The District Court found:

Even if it were deemed that home-use recording of copyrighted material constituted infringement, the Betamax could still legally be used to record noncopyrighted material or material whose owners consented to the copying. An injunction would deprive the public of the ability to use the Betamax for this noninfringing off-the-air recording.
Defendants introduced considerable testimony at trial about the potential for such copying of sports, religious, educational and other programming. This included testimony from representatives of the Offices of the Commissioners of the National Football, Basketball, Baseball and Hockey Leagues and Associations, the Executive Director of National Religious Broadcasters and various educational communications agencies. Plaintiffs attack the weight of the testimony offered and also contend that an injunction is warranted because infringing uses outweigh noninfringing uses....

[12] Even unauthorized uses of a copyrighted work are not necessarily infringing.... [T]he definition of exclusive rights in § 106 of the present Act is prefaced by the words “subject to sections 107 through 118.” Those sections describe a variety of uses of copyrighted material that “are not infringements of copyright notwithstanding the provisions of § 106.” The most pertinent in this case is § 107, the legislative endorsement of the doctrine of “fair use.”

[13] .... Although not conclusive, the first factor requires that “the commercial or nonprofit character of an activity” be weighed in any fair use decision. If the Betamax were used to make copies for a commercial or profit-making purpose, such use would presumptively be unfair. The contrary presumption is appropriate here, however, because the District Court’s findings plainly establish that time-shifting for private home use must be characterized as a noncommercial, nonprofit activity. Moreover, when one considers the nature of a televised copyrighted audiovisual work and that timeshifting merely enables a viewer to see such a work which he had been invited to witness in its entirety free of charge, the fact that the entire work is reproduced does not have its ordinary effect of militating against a finding of fair use.33

[14] This is not, however, the end of the inquiry because Congress has also directed us to consider “the effect of the use upon the potential market for or value of the copyrighted work.” The purpose of copyright is to create incentives for creative effort. Even copying for noncommercial purposes may impair the copyright holder’s ability to obtain the rewards that Congress intended him to have. But a use that has no demonstrable effect upon the potential market for, or the value of, the copyrighted work need not be prohibited in order to protect the author’s incentive to create. The prohibition of such noncommercial uses would merely inhibit access to ideas without any countervailing benefit.

[15] Thus, although every commercial use of copyrighted material is presumptively an unfair exploitation of the ... privilege that belongs to the owner of the copyright, noncommercial uses are a different matter. A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work. Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future

33 It has been suggested that consumptive uses of copyrights by home VTR users are commercial even if the consumer does not sell the homemade tape because the consumer will not buy tapes separately sold by the copyright holder. Furthermore, the error in excusing such theft as noncommercial, we are told, can be seen by simple analogy: jewel theft is not converted into a noncommercial veniality if stolen jewels are simply worn rather than sold. The premise and the analogy are indeed simple, but they add nothing to the argument. The use to which stolen jewel[ry] is put is quite irrelevant in determining whether depriving its true owner of his present possessory interest in it is venial; because of the nature of the item and the true owner’s interests in physical possession of it, the law finds the taking objectionable even if the thief does not use the item at all. Theft of a particular item of personal property of course may have commercial significance, for the thief deprives the owner of his right to sell that particular item to any individual. Timeshifting does not even remotely entail comparable consequences to the copyright owner. Moreover, the timeshifter no more steals the program by watching it once than does the live viewer, and the live viewer is no more likely to buy pre-recorded videotapes than is the timeshifter. Indeed, no live viewer would buy a pre-recorded videotape if he did not have access to a VTR.
harm will result. What is necessary is a showing by a preponderance of the evidence that some meaningful likelihood of future harm exists. If the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated.

[16] In this case, respondents failed to carry their burden with regard to home time-shifting. The District Court described respondents’ evidence as follows:

Plaintiffs’ experts admitted at several points in the trial that the time-shifting without libarying would result in ‘not a great deal of harm.’ Plaintiffs’ greatest concern about time-shifting is with ‘a point of important philosophy that transcends even commercial judgment.’ They fear that with any Betamax usage, ‘invisible boundaries’ are passed: ‘the copyright owner has lost control over his program.’

[17] Later in its opinion, the District Court observed:

Most of plaintiffs’ predictions of harm hinge on speculation about audience viewing patterns and ratings, a measurement system which Sidney Sheinberg, MCA’s president, calls a ‘black art’ because of the significant level of imprecision involved in the calculations.

[18] On the question of potential future harm from time-shifting, the District Court offered a more detailed analysis of the evidence. It rejected respondents’ fear that persons watching the original telecast of a program will not be measured in the live audience and the ratings and revenues will decrease by observing that current measurement technology allows the Betamax audience to be reflected. It rejected respondents’ prediction that live television or movie audiences will decrease as more people watch Betamax tapes as an alternative, with the observation that there is no factual basis for the underlying assumption. It rejected respondents’ fear that time-shifting will reduce audiences for telecast reruns, and concluded instead that given current market practices, this should aid plaintiffs rather than harm them. And it declared that

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36 [The district court stated:] ‘The District Court rejected plaintiffs’ suggestion that the commercial attractiveness of television broadcasts would be diminished because Betamax owners would use the pause button or fast-forward control to avoid viewing advertisements: “It must be remembered, however, that to omit commercials, Betamax owners must view the program, including the commercials, while recording. To avoid commercials during playback, the viewer must fast-forward and, for the most part, guess as to when the commercial has passed. For most recordings, either practice may be too tedious. As defendants’ survey showed, 92% of the programs were recorded with commercials and only 25% of the owners fast-forward through them. Advertisers will have to make the same kinds of judgments they do now about whether persons viewing televised programs actually watch the advertisements which interrupt them.”

37 [The district court stated:] “Here plaintiffs assume that people will view copies when they would otherwise be watching television or going to the movie theater. There is no factual basis for this assumption. It seems equally likely that Betamax owners will play their tapes when there is nothing on television they wish to see and no movie they want to attend. Defendants’ survey does not show any negative effect of Betamax ownership on television viewing or theater attendance.”

38 [The district court stated:] “The underlying assumptions here are particularly difficult to accept. Plaintiffs explain that the Betamax increases access to the original televised material and that the more people there are in this original audience, the fewer people the rerun will attract. Yet current marketing practices, including the success of syndication, show just the opposite. Today, the larger the audience for the original telecast, the higher the price plaintiffs can demand from broadcasters from rerun rights. There is no survey within the knowledge of this court to show that the rerun audience is comprised of persons who have not seen the program. In any event, if ratings can reflect Betamax recording, original audiences may increase and, given market practices, this should aid plaintiffs rather than harm them.”
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respondents’ suggestion that theater or film rental exhibition of a program will suffer because of time-shift recording of that program lacks merit.39

[19] After completing that review, the District Court [concluded that] .... [h]arm from time-shifting is speculative and, at best, minimal....

[20] The District Court’s conclusions are buttressed by the fact that to the extent time-shifting expands public access to freely broadcast television programs, it yields societal benefits....

[21] When these factors are all weighed in the ... balance, we must conclude that this record amply supports the District Court’s conclusion that home time-shifting is fair use...

BLACKMUN, J., dissenting, joined by Justices Marshall, Powell, and Rehnquist:

[22] The making of a videotape recording for home viewing is an ordinary rather than a productive use of the Studios’ copyrighted works. The District Court found that “Betamax owners use the copy for the same purpose as the original. They add nothing of their own.” Although applying the fair use doctrine to home VTR recording, as Sony argues, may increase public access to material broadcast free over the public airwaves, I think Sony’s argument misconceives the nature of copyright. Copyright gives the author a right to limit or even to cut off access to his work. A VTR recording creates no public benefit sufficient to justify limiting this right. Nor is this right extinguished by the copyright owner's choice to make the work available over the airwaves. Section 106 of the 1976 Act grants the copyright owner the exclusive right to control the performance and the reproduction of his work, and the fact that he has licensed a single television performance is really irrelevant to the existence of his right to control its reproduction. Although a television broadcast may be free to the viewer, this fact is equally irrelevant; a book borrowed from the public library may not be copied any more freely than a book that is purchased....

[23] I recognize, nevertheless, that there are situations where permitting even an unproductive use would have no effect on the author's incentive to create, that is, where the use would not affect the value of, or the market for, the author's work. Photocopying an old newspaper clipping to send to a friend may be an example; pinning a quotation on one's bulletin board may be another. In each of these cases, the effect on the author is truly de minimis. Thus, even though these uses provide no benefit to the public at large, no purpose is served by preserving the author's monopoly, and the use may be regarded as fair.

[24] Courts should move with caution, however, in depriving authors of protection from unproductive “ordinary” uses.... [E]ven in the case of a productive use, § 107(4) requires consideration of “the effect of the use upon the potential market for or value of the copyrighted work” (emphasis added). A particular use which may seem to have little or no economic impact on the author's rights today can assume tremendous importance in times to come. Although such a use may seem harmless when viewed in isolation, isolated instances of minor infringements, when multiplied many times, become in the aggregate a major inroad on copyright that must be prevented.

[25] I therefore conclude that, at least when the proposed use is an unproductive one, a copyright owner need prove only a potential for harm to the market for or the value of the copyrighted work. Proof of actual harm,

39 [According to the district court,] “This suggestion lacks merit. By definition, time-shift recording entails viewing and erasing, so the program will no longer be on tape when the later theater run begins. Of course, plaintiffs may fear that the Betamax will keep the tapes long enough to satisfy all their interest in the program and will, therefore, not patronize later theater exhibitions. To the extent this practice involves librarying, it is addressed [elsewhere]. It should also be noted that there is no evidence to suggest that the public interest in later theatrical exhibitions of motion pictures will be reduced any more by Betamax recording than it already is by the television broadcast of the film.”
or even probable harm, may be impossible in an area where the effect of a new technology is speculative, and requiring such proof would present the real danger of confining the scope of an author’s rights on the basis of the present technology so that, as the years go by, his copyright loses much of its value because of unforeseen technical advances. Infringement thus would be found if the copyright owner demonstrates a reasonable possibility that harm will result from the proposed use. When the use is one that creates no benefit to the public at large, copyright protection should not be denied on the basis that a new technology that may result in harm has not yet done so.

[26] The Studios have identified a number of ways in which VTR recording could damage their copyrights. VTR recording could reduce their ability to market their works in movie theaters and through the rental or sale of pre-recorded videotapes or videodiscs; it also could reduce their rerun audience, and consequently the license fees available to them for repeated showings. Moreover, advertisers may be willing to pay for only “live” viewing audiences, if they believe VTR viewers will delete commercials or if rating services are unable to measure VTR use; if this is the case, VTR recording could reduce the license fees the Studios are able to charge even for first-run showings. Library-building may raise the potential for each of the types of harm identified by the Studios, and time-shifting may raise the potential for substantial harm as well. 35

[27] Although the District Court found no likelihood of harm from VTR use, I conclude that it applied an incorrect substantive standard and misallocated the burden of proof....

[28] The District Court’s reluctance to engage in prediction in this area is understandable, but, in my view, the court was mistaken in concluding that the Studios should bear the risk created by this uncertainty. The Studios have demonstrated a potential for harm, which has not been, and could not be, refuted at this early stage of technological development.

[29] The District Court’s analysis of harm, moreover, failed to consider the effect of VTR recording on “the potential market for or the value of the copyrighted work,” as required by § 107(4)...

[30] In this case, the Studios and their amici demonstrate that the advent of the VTR technology created a potential market for their copyrighted programs. That market consists of those persons who find it impossible or inconvenient to watch the programs at the time they are broadcast, and who wish to watch them at other times. These persons are willing to pay for the privilege of watching copyrighted work at their convenience, as is evidenced by the fact that they are willing to pay for VTRs and tapes; undoubtedly, most also would be willing to pay some kind of royalty to copyright holders. The Studios correctly argue that they have been deprived of the ability to exploit this sizable market.

35 A VTR owner who has taped a favorite movie for repeated viewing will be less likely to rent or buy a tape containing the same movie, watch a televised rerun, or pay to see the movie at a theater. Although time-shifting may not replace theater or rerun viewing or the purchase of prerecorded tapes or discs, it may well replace rental usage; a VTR user who has recorded a first-run movie for later viewing will have no need to rent a copy when he wants to see it. Both library-builders and time-shifters may avoid commercials; the library builder may use the pause control to record without them, and all users may fast-forward through commercials on playback.

The Studios introduced expert testimony that both time-shifting and librarying would tend to decrease their revenue from copyrighted works. The District Court’s findings also show substantial library-building and avoidance of commercials. Both sides submitted surveys showing that the average Betamax user owns between 25 and 32 tapes. The Studios’ survey showed that at least 40% of users had more than 10 tapes in a “library”; Sony’s survey showed that more than 40% of users planned to view their tapes more than once; and both sides’ surveys showed that commercials were avoided at least 25% of the time.
It is thus apparent from the record and from the findings of the District Court that time-shifting does have a substantial adverse effect upon the "potential market for" the Studios' copyrighted works. Accordingly, even under the formulation of the fair use doctrine advanced by Sony, time-shifting cannot be deemed a fair use.

NOTES

1. Market facts and technological facts can change over time. Consider the evidence that the copyright holder plaintiffs introduced in Sony as to the harms to their revenues from commercial advertisements caused by VCR recording. Consider also whether there was a market in prerecorded VCR tapes of television programs. Additionally, consider whether it was plausible at the time of the litigation to license VCR recordings of television programs. How have these facts changed over the intervening years? If you were to substitute evidence from the year 2000 or the present day on these issues, how would this case be decided? If you thought that market failure explains Sony's outcome, does that market failure continue to exist as time passes? What do your answers suggest for the stability of fair use determinations over time?

2. Around the time of the Sony litigation, Jack Valenti, then-president of the Motion Picture Association of America, testified before Congress that "the VCR is to the American film producer and the American public as the Boston Strangler is to the woman alone." Reflected in both Valenti's statement and content owners' decision to sue Sony for copyright infringement is a fear that VCR technology would undercut content owners' businesses. That fear was unfounded, and the Sony plaintiffs are surely happy they lost their case. The reason is that content owners started to make significant money through prerecorded video sales, which probably would not have happened had they won the case. Do you think these developments subsequent to Sony suggest anything about how well copyright owners can assess their business interests in deciding whether to license their works or sue for infringement?

3. Fair use analysis is explicitly sensitive to the market effects of allowing a defendant's use of a copyrighted work by requiring consideration of the fourth statutory factor: "the effect of the use upon the potential market for or value of the copyrighted work." 17 U.S.C. § 107(4).

An important question arises as to which effects are permissible to consider. Pertinently, any copyright plaintiff can assert against a defendant that has used the plaintiff's work without a license that the plaintiff has suffered pecuniary harm from not having obtained a licensing fee for the work. Furthermore, the plaintiff can contend more generally that if the defendant does not have to pay a licensing fee for his or her use, then other third parties would start using the plaintiff's work in similar contexts without paying, which in turn would harm the defendant's licensing market more broadly. Given that a plaintiff can always assert these market harms, should a court always weigh them against fair use under the fourth factor? Campbell suggests that this argument should not always be given much weight: "The market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop." Campbell, 510 U.S. at 592. That is, the likelihood of a market's development affects the relevance of its consideration. For scholarship on evaluating the empirical likelihood of a market's development, see Jeanne C. Fromer, Market Effects Bearing on Fair Use, 90 WASH. L. REV. 615 (2015); Frank Pasquale, Breaking the Vicious Corkularity: Sony's Contribution to the Fair Use Doctrine, 55 CASE W. RES. L. REV. 777 (2005).
As you read the following case, consider whether the majority or the dissent has the better understanding of how to evaluate and weigh the fourth factor in its fair use analysis. Do you find the court’s reasoning on the fourth factor to be circular?

American Geophysical Union v. Texaco Inc.
60 F.3d 913 (2d Cir. 1994)

NEWMAN, C.J.: ...

[1] ... Plaintiffs American Geophysical Union and 82 other publishers of scientific and technical journals brought a class action claiming that Texaco’s unauthorized photocopying of articles from their journals constituted copyright infringement. Among other defenses, Texaco claimed that its copying was fair use ....

[2] ... [T]he parties stipulated—in order to spare the enormous expense of exploring the photocopying practices of each of them—that one scientist would be chosen at random as the representative of the entire group. The scientist chosen was Dr. Donald H. Chickering, II, a scientist at Texaco's research center .... For consideration at trial, the publishers selected from Chickering’s files photocopies of eight particular articles from the Journal of Catalysis....

[3] ... Employing between 400 and 500 researchers nationwide, Texaco conducts considerable scientific research seeking to develop new products and technology primarily to improve its commercial performance in the petroleum industry. As part of its substantial expenditures in support of research activities ..., Texaco subscribes to many scientific and technical journals and maintains a sizable library with these materials. Among the periodicals that Texaco receives at its ... research facility is the Journal of Catalysis, a monthly publication produced by Academic Press, Inc., a major publisher of scholarly journals and one of the plaintiffs in this litigation. Texaco had initially purchased one subscription to Catalysis for its Beacon facility, and increased its total subscriptions to two in 1983. Since 1988, Texaco has maintained three subscriptions to Catalysis.

[4] Catalysis .... [a]uthors are informed that they must transfer the copyright in their writings to Academic Press if one of their articles is accepted for publication, and no form of money payment is ever provided to authors whose works are published. Academic Press typically owns the copyright for each individual article published in Catalysis, and every issue of the journal includes a general statement that no part of the publication is to be reproduced without permission from the copyright owner....

[5] Chickering, a chemical engineer ..., has worked for Texaco since 1981 conducting research in the field of catalysis, which concerns changes in the rates of chemical reactions. To keep abreast of developments in his field, Chickering must review works published in various scientific and technical journals related to his area of research. Texaco assists in this endeavor by having its library circulate current issues of relevant journals to Chickering when he places his name on the appropriate routing list.

[6] The copies of the eight articles from Catalysis found in Chickering’s files that the parties have made the exclusive focus of the fair use trial were photocopied in their entirety by Chickering or by other Texaco employees at Chickering's request. Chickering apparently believed that the material and data found within these articles would facilitate his current or future professional research. The evidence developed at trial indicated that Chickering did not generally use the Catalysis articles in his research immediately upon copying, but placed the photocopied articles in his files to have them available for later reference as needed. Chickering became aware of six of the photocopied articles when the original issues of Catalysis containing the articles were circulated to him. He learned of the other two articles upon seeing a reference to them in
another published article. As it turned out, Chickering did not have occasion to make use of five of the articles that were copied....

[7] As with the development of other easy and accessible means of mechanical reproduction of documents, the invention and widespread availability of photocopying technology threatens to disrupt the delicate balances established by the Copyright Act. [T]he advent of modern photocopying technology creates a pressing need for the law to strike an appropriate balance between the authors' interest in preserving the integrity of copyright, and the public's right to enjoy the benefits that photocopying technology offers....

A. First Factor: Purpose and Character of Use

[8] .... Especially pertinent to an assessment of the first fair use factor are the precise circumstances under which copies of the eight Catalysis articles were made. After noticing six of these articles when the original copy of the journal issue containing each of them was circulated to him, Chickering had them photocopied, at least initially, for the same basic purpose that one would normally seek to obtain the original—to have it available on his shelf for ready reference if and when he needed to look at it. The library circulated one copy and invited all the researchers to make their own photocopies. It is a reasonable inference that the library staff wanted each journal issue moved around the building quickly and returned to the library so that it would be available for others to look at. Making copies enabled all researchers who might one day be interested in examining the contents of an article in the issue to have the article readily available in their own offices.... Significantly, Chickering did not even have occasion to use five of the photocopied articles at all, further revealing that the photocopies of the eight Catalysis articles were primarily made just for future retrieval and reference.

[9] It is true that photocopying these articles also served other purposes. The most favorable for Texaco is the purpose of enabling Chickering, if the need should arise, to go into the lab with pieces of paper that (a) were not as bulky as the entire issue or a bound volume of a year's issues, and (b) presented no risk of damaging the original by exposure to chemicals. And these purposes might suffice to tilt the first fair use factor in favor of Texaco if these purposes were dominant.... But that is not what happened here as to the six items copied from the circulated issues....

[10] The photocopying of these eight Catalysis articles may be characterized as “archival”—i.e., done for the primary purpose of providing numerous Texaco scientists (for whom Chickering served as an example) each with his or her own personal copy of each article without Texaco's having to purchase another original journal. The photocopying merely supersedes the objects of the original creation and tilts the first fair use factor against Texaco. We do not mean to suggest that no instance of archival copying would be fair use, but the first factor tilts against Texaco in this case because the making of copies to be placed on the shelf in Chickering's office is part of a systematic process of encouraging employee researchers to copy articles so as to multiply available copies while avoiding payment....

[11] Finally, Texaco claims that it should prevail on the first factor because the type of photocopying it conducted is widespread and has long been considered reasonable and customary. Texaco stresses that some courts and commentators regard custom and common usage as integral to the fair use analysis....

[12] .... [W]hatever validity this argument might have had before the advent of the photocopying licensing arrangements discussed below in our consideration of the fourth fair use factor, the argument today is insubstantial....

[13] On balance, ... the first factor favors the publishers, primarily because the dominant purpose of the use is a systematic institutional policy of multiplying the available number of copies of pertinent copyrighted articles by circulating the journals among employed scientists for them to make copies, thereby serving the
same purpose for which additional subscriptions are normally sold, or, as will be discussed, for which photocopying licenses may be obtained.

**B. Second Factor: Nature of Copyrighted Work ...**

[14] Though a significant measure of creativity was undoubtedly used in the creation of the eight articles copied from Catalysis, even a glance at their content immediately reveals the predominantly factual nature of these works.¹¹ ... 

[15] Ultimately, then, the manifestly factual character of the eight articles precludes us from considering the articles as within the core of the copyright’s protective purposes. Thus, ... we conclude that the second factor favors Texaco.

**C. Third Factor: Amount and Substantiality of Portion Used ...**

[16] Despite Texaco’s claims that we consider its amount of copying “minuscule” in relation to the entirety of Catalysis, we conclude ... that Texaco has copied entire works. Though this conclusion does not preclude a finding of fair use, it militates against such a finding and weights the third factor in favor of the publishers....

**D. Fourth Factor: Effect Upon Potential Market or Value ...**

[17] Prior to Campbell, the Supreme Court had characterized the fourth factor as the single most important element of fair use. However, Campbell’s discussion of the fourth factor conspicuously omits this phrasing. Apparently abandoning the idea that any factor enjoys primacy, Campbell instructs that all [four factors] are to be explored, and the results weighed together, in light of the purposes of copyright.

[18] In analyzing the fourth factor, it is important (1) to bear in mind the precise copyrighted works, namely the eight journal articles, and (2) to recognize the distinctive nature and history of “the potential market for or value of” these particular works. Specifically, though there is a traditional market for, and hence a clearly defined value of, journal issues and volumes, in the form of per-issue purchases and journal subscriptions, there is neither a traditional market for, nor a clearly defined value of, individual journal articles. As a result, analysis of the fourth factor cannot proceed as simply as would have been the case if Texaco had copied a work that carries a stated or negotiated selling price in the market.

[19] Like most authors, writers of journal articles do not directly seek to capture the potential financial rewards that stem from their copyrights by personally marketing copies of their writings. Rather, like other creators of literary works, the author of a journal article commonly sells his rights to publishers who offer royalties in exchange for their services in producing and marketing the author’s work. In the distinctive realm of academic and scientific articles, however, the only form of royalty paid by a publisher is often just the reward of being published, publication being a key to professional advancement and prestige for the author. The publishers in turn incur the costs and labor of producing and marketing authors’ articles, driven by the prospect of capturing the economic value stemming from the copyrights in the original works, which the authors have transferred to them. Ultimately, the [exclusive] privileges conferred by copyright protection and the potential financial rewards therefrom are not directly serving to motivate authors to write individual articles; rather, they serve to motivate publishers to produce journals, which provide the conventional and

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¹¹ Not only are the Catalysis articles essentially factual in nature, but the evidence suggests that Chickering was interested exclusively in the facts, ideas, concepts, or principles contained within the articles. Though scientists surely employ creativity and originality to develop ideas and obtain facts and thereafter to convey the ideas and facts in scholarly articles, it is primarily the ideas and facts themselves that are of value to other scientists in their research.
often exclusive means for disseminating these individual articles. It is the prospect of such dissemination that contributes to the motivation of these authors.

[20] Significantly, publishers have traditionally produced and marketed authors’ individual articles only in a journal format, i.e., in periodical compilations of numerous articles. In other words, publishers have conventionally sought to capture the economic value from the exclusive rights to reproduce and distribute copies of the individual articles solely by compiling many such articles together in a periodical journal and then charging a fee to subscribe. Publishers have not traditionally provided a simple or efficient means to obtain single copies of individual articles; reprints are usually available from publishers only in bulk quantities and with some delay.

[21] This marketing pattern has various consequences for our analysis of the fourth factor. First, evidence concerning the effect that photocopying individual journal articles has on the traditional market for journal subscriptions is of somewhat less significance than if a market existed for the sale of individual copies of articles. Second, this distinctive arrangement raises novel questions concerning the significance of the publishers’ establishment of an innovative licensing scheme for the photocopying of individual journal articles.

[22] 1. Sales of Additional Journal Subscriptions, Back Issues, and Back Volumes. Since we are concerned with the claim of fair use in copying the eight individual articles from Catalysis, the analysis under the fourth factor must focus on the effect of Texaco’s photocopying upon the potential market for or value of these individual articles. Yet, in their respective discussions of the fourth statutory factor, the parties initially focus on the impact of Texaco’s photocopying of individual journal articles upon the market for Catalysis journals through sales of Catalysis subscriptions, back issues, or back volumes.

[23] As a general matter, examining the effect on the marketability of the composite work containing a particular individual copyrighted work serves as a useful means to gauge the impact of a secondary use “upon the potential market for or value of” that individual work, since the effect on the marketability of the composite work will frequently be directly relevant to the effect on the market for or value of that individual work. Quite significantly, though, in the unique world of academic and scientific articles, the effect on the marketability of the composite work in which individual articles appear is not obviously related to the effect on the market for or value of the individual articles. Since (1) articles are submitted unsolicited to journals, (2) publishers do not make any payment to authors for the right to publish their articles or to acquire their copyrights, and (3) there is no evidence in the record suggesting that publishers seek to reprint particular articles in new composite works, we cannot readily conclude that evidence concerning the effect of Texaco’s use on the marketability of journals provides an effective means to appraise the effect of Texaco’s use on the market for or value of individual journal articles.

[24] These considerations persuade us that evidence concerning the effect of Texaco’s photocopying of individual articles within Catalysis on the traditional market for Catalysis subscriptions is of somewhat limited significance in determining and evaluating the effect of Texaco’s photocopying “upon the potential market for or value of” the individual articles. We do not mean to suggest that we believe the effect on the marketability of journal subscriptions is completely irrelevant to gauging the effect on the market for and value of individual articles. Were the publishers able to demonstrate that Texaco’s type of photocopying, if widespread, would impair the marketability of journals, then they might have a strong claim under the fourth factor. Likewise, were Texaco able to demonstrate that its type of photocopying, even if widespread, would have virtually no effect on the marketability of journals, then it might have a strong claim under this fourth factor.
[25] On this record, however, the evidence is not resounding for either side. The District Court specifically found that, in the absence of photocopying, (1) "Texaco would not ordinarily fill the need now being supplied by photocopies through the purchase of back issues or back volumes ... [or] by enormously enlarging the number of its subscriptions," but (2) Texaco still would increase the number of subscriptions somewhat." This moderate conclusion concerning the actual effect on the marketability of journals, combined with the uncertain relationship between the market for journals and the market for and value of individual articles, leads us to conclude that the evidence concerning sales of additional journal subscriptions, back issues, and back volumes does not strongly support either side with regard to the fourth factor. At best, the loss of a few journal subscriptions tips the fourth factor only slightly toward the publishers because evidence of such loss is weak evidence that the copied articles themselves have lost any value.

[26] 2. Licensing Revenues and Fees. The District Court, however, went beyond discussing the sales of additional journal subscriptions in holding that Texaco's photocopying affected the value of the publishers' copyrights. Specifically, the Court pointed out that, if Texaco's unauthorized photocopying was not permitted as fair use, the publishers' revenues would increase significantly since Texaco would (1) obtain articles from document delivery services (which pay royalties to publishers for the right to photocopy articles), (2) negotiate photocopying licenses directly with individual publishers, and/or (3) acquire some form of photocopying license from the Copyright Clearance Center Inc. ("CCC"). Texaco claims that the District Court's reasoning is faulty because, in determining that the value of the publishers' copyrights was affected, the Court assumed that the publishers were entitled to demand and receive licensing royalties and fees for photocopying. Yet, continues Texaco, whether the publishers can demand a fee for permission to make photocopies is the very question that the fair use trial is supposed to answer.

[27] It is indisputable that, as a general matter, a copyright holder is entitled to demand a royalty for licensing others to use its copyrighted work and that the impact on potential licensing revenues is a proper subject for consideration in assessing the fourth factor.

[28] However, not every effect on potential licensing revenues enters the analysis under the fourth factor. Specifically, courts have recognized limits on the concept of "potential licensing revenues" by considering only traditional, reasonable, or likely to be developed markets when examining and assessing a secondary use's "effect upon the potential market for or value of the copyrighted work."

[29] For example, the Supreme Court recently explained that because of the "unlikelihood that creators of imaginative works will license critical reviews or lampoons" of their works, "the law recognizes no derivative market for critical works," Campbell, 510 U.S. at 592. Similarly, other courts have found that the fourth factor will favor the secondary user when the only possible adverse effect occasioned by the secondary use would be to a potential market or value that the copyright holder has not typically sought to, or reasonably been able to, obtain or capture.

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16 The CCC is a central clearing-house established in 1977 primarily by publishers to license photocopying. The CCC offers a variety of licensing schemes; fees can be paid on a per copy basis or through blanket license arrangements. Most publishers are registered with the CCC, but the participation of for-profit institutions that engage in photocopying has been limited, largely because of uncertainty concerning the legal questions at issue in this lawsuit....

17 As Texaco notes and others have recognized, a copyright holder can always assert some degree of adverse [e]ffect on its potential licensing revenues as a consequence of the secondary use at issue simply because the copyright holder has not been paid a fee to permit that particular use. Thus, were a court automatically to conclude in every case that potential licensing revenues were impermissibly impaired simply because the secondary user did not pay a fee for the right to engage in the use, the fourth fair use factor would always favor the copyright holder.

18 The Supreme Court’s holding in Sony implicitly recognizes limits on the concept of “potential market for or value of the copyrighted work.” ... The Court ... implicitly ruled that the potential market in licensing royalties enunciated by Justice
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[30] Thus, Texaco is correct, at least as a general matter, when it contends that it is not always appropriate for a court to be swayed on the fourth factor by the effects on potential licensing revenues. Only an impact on potential licensing revenues for traditional, reasonable, or likely to be developed markets should be legally cognizable when evaluating a secondary use’s “effect upon the potential market for or value of the copyrighted work.”

[31] Though the publishers still have not established a conventional market for the direct sale and distribution of individual articles, they have created, primarily through the CCC, a workable market for institutional users to obtain licenses for the right to produce their own copies of individual articles via photocopying. The District Court found that many major corporations now subscribe to the CCC systems for photocopying licenses. Indeed, it appears from the pleadings, especially Texaco’s counterclaim, that Texaco itself has been paying royalties to the CCC....

[32] Despite Texaco’s claims to the contrary, it is not unsound to conclude that the right to seek payment for a particular use tends to become legally cognizable under the fourth fair use factor when the means for paying for such a use is made easier. This notion is not inherently troubling: it is sensible that a particular unauthorized use should be considered “more fair” when there is no ready market or means to pay for the use, while such an unauthorized use should be considered “less fair” when there is a ready market or means to pay for the use. The vice of circular reasoning arises only if the availability of payment is conclusive against fair use. Whatever the situation may have been previously, before the development of a market for institutional users to obtain licenses to photocopy articles, it is now appropriate to consider the loss of licensing revenues in evaluating “the effect of the use upon the potential market for or value of” journal articles. It is especially appropriate to do so with respect to copying of articles from Catalysis, a publication as to which a photocopying license is now available. We do not decide how the fair use balance would be resolved if a photocopying license for Catalysis articles were not currently available...

[33] Primarily because of lost licensing revenue, and to a minor extent because of lost subscription revenue, we ... conclude that the fourth statutory factor favors the publishers....

[34] We conclude that three of the four statutory factors, including the important first and the fourth factors, favor the publishers.... We therefore [conclude] that Texaco’s photocopying of eight particular articles from the Journal of Catalysis was not fair use....

JACOBS, J., dissenting: ....

[35] (2) Licensing Revenues and Fees. The majority states that “[o]nly an impact on potential licensing revenues for traditional, reasonable, or likely to be developed markets should be legally cognizable when evaluating a secondary use’s ‘effect upon the potential market for or value of the copyrighted work.’” That statement of the law, with which I fully agree, supports the conclusion that the availability of a CCC license has little to do with fair use. The Supreme Court, in Harper & Row, held that this fourth factor addresses use that supplants any part of the normal market for a copyrighted work. The Court has more recently declared, in considering the fair use ramifications of parody, that the market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop. Campbell v. Acuff–Rose Music, Inc., 510 U.S. 569, 592 (1994). One factor deemed to make parody eligible for treatment as a fair use is that copyright holders do not ordinarily license artistic criticisms of their own works. However, even if authors were to seek to license these secondary works, it is not clear that they would succeed, because the

Blackmun [in dissent] should be considered too insubstantial to tilt the fourth fair use factor in favor of the copyright holder.
Court found the secondary works to be a fair use: “when ... the second use is transformative, market substitution is at least less certain, and market harm may not be so readily inferred.” Id. at 591.

[36] In this case the only harm to a market is to the supposed market in photocopy licenses. The CCC scheme is neither traditional nor reasonable; and its development into a real market is subject to substantial impediments. There is a circularity to the problem: the market will not crystallize unless courts reject the fair use argument that Texaco presents; but, under the statutory test, we cannot declare a use to be an infringement unless (assuming other factors also weigh in favor of the secondary user) there is a market to be harmed. At present, only a fraction of journal publishers have sought to exact these fees. I would hold that this fourth factor decisively weighs in favor of Texaco, because there is no normal market in photocopy licenses, and no real consensus among publishers that there ought to be one....

[37] Under a transactional license, the user must undertake copyright research every time an article is photocopied. First, one must consult a directory to determine whether or not the publisher of the journal is a member of the CCC. If it is, one must ascertain whether the particular publication is one that is covered by the CCC arrangement, because not all publications of participating publishers are covered. Then one must somehow determine whether the actual article is one in which the publisher actually holds a copyright, since there are many articles that, for such reasons as government sponsorship of the research, are not subject to copyright. The production director of plaintiff Springer-Verlag testified at trial that it is almost impossible to tell which articles might be covered by a copyright. Since even an expert has difficulty making such a determination, the transactional scheme would seem to require that an intellectual property lawyer be posted at each copy machine. Finally, once it is determined that the specific article is covered, the copyist will need to record in a log the date, name of publication, publisher, title and author of article, and number of pages copied.

[38] It may be easier to hand copy the material. The transactions costs alone would compel users to purchase a blanket license. However, if (as the majority holds) three of the fair use factors tip in favor of the publishers even without considering the market for license fees, a blanket license offers Texaco no safe harbor. Individual publishers remain free to stand upon the rights conferred in this Court’s opinion, and negotiate separate licenses with separate terms, or sell offprints and refuse any license at all. Unless each publisher’s licensing rights are made to depend upon whether or not that publisher participates in the CCC, we have the beginnings of a total market failure: with many thousands of scientific publications in circulation, a user cannot negotiate licensing fees individually with numerous publishers—unless it does nothing else. For many publications, licenses are simply not available. As to those, Dr. Chickering has the choice of hand copying, typescript, or the photocopying of selected pages only.

[39] The blanket license fares no better. The CCC license cannot confer absolution for the photocopying of articles published by non-members of the CCC. Nor can the participating publishers properly collect fees for the photocopying of articles for which they do not hold the copyright....

[40] It is hard to escape the conclusion that the existence of the CCC—or the perception that the CCC and other schemes for collecting license fees are or may become “administratively tolerable”—is the chief support for the idea that photocopying scholarly articles is unfair in the first place. The majority finds it “sensible” that a use “should be considered ‘less fair’ when there is a ready market or means to pay for the use.” That view is sensible only to a point. There is no technological or commercial impediment to imposing a fee for use of a work in a parody, or for the quotation of a paragraph in a review or biography. Many publishers could probably unite to fund a bureaucracy that would collect such fees. The majority is sensitive to this problem, but concludes that “[t]he vice of circular reasoning arises only if the availability of payment is conclusive against fair use.” That vice is not avoided here. The majority expressly declines to “decide how the fair use balance would be resolved if a photocopying license for Catalysis articles were not currently available.”
Moreover, the “important” fourth factor tips in favor of the publishers (according to the majority) “[p]rimarily because of lost licensing revenue” and only “to a minor extent” on the basis of journal sales and subscriptions.

[41] I do not agree with the majority that the publishers “have created, primarily through the CCC, a workable market for institutional users to obtain licenses for the right to produce their own copies of individual articles via photocopying.” By the CCC’s admission, in its correspondence with the Antitrust Division of the Justice Department, “the mechanism for the negotiation of a photocopy license fee is often not even in place.... Nor can it be said that CCC’s current licensing programs have adequately met the market’s needs.” There is nothing workable, and there is no market....

[42] The fourth factor tips decidedly in Texaco’s favor because there is no appreciable impairment of the publishing revenue from journal subscriptions and sales; because the publisher captures additional revenue from institutional users by charging a double subscription price (and can presumably charge any price the users will pay); and because the market for licensing is cumbersome and unrealized....

NOTES

1. Since Texaco, courts have elaborated on what constitutes a “traditional, reasonable, or likely to be developed market.” The Second Circuit has indicated that a copyright owner cannot create a market for criticism and other transformative uses as a way to count that against defendants making such uses:

   Just as secondary users may not exploit markets that original copyright owners would in general develop or license others to develop even if those owners had not actually done so, copyright owners may not preempt exploitation of transformative markets, which they would not in general develop or license others to develop, by actually developing or licensing others to develop those markets. Thus, by developing or licensing a market for parody, news reporting, educational or other transformative uses of its own creative work, a copyright owner plainly cannot prevent others from entering those fair use markets.

   Castle Rock Entm’t, Inc. v. Carol Publ’g Grp., Inc., 150 F.3d 132, 145 n.11 (2d Cir. 1998).

2. Scholars observe that third parties’ risk aversion with respect to copyright infringement can cause both copyright protection to grow and fair use to shrink over time. As James Gibson explains, due to risk aversion, “copyright users ... seek licenses even when they have a good fair use claim .... This practice of unneeded licensing feeds back into doctrine because ... the fair use defense looks to the existence vel non of a licensing market when defining the reach of the copyright entitlement. The result is a steady, incremental, and unintended expansion of copyright, caused by nothing more than ambiguous doctrine and prudent behavior on the part of copyright users.” James Gibson, Risk Aversion and Rights Accretion in Intellectual Property Law, 116 YALE L.J. 882, 887 (2007).

3. Campbell recognizes that certain market effects are irrelevant to the fair use analysis. Campbell suggests the exclusion of market effects from consideration under the fourth factor if the effects are unrelated to the protectable aspects of the copyrighted work, such as its ideas or the societal value attributed to the work. In particular, Campbell provides that “when a lethal parody, like a scathing theater review, kills demand for the original, it does not produce a harm cognizable under the Copyright Act.” 510 U.S. at 591-92. The Court there explains that any harm to the copyright holder’s market results from the parody’s commentary, not its substitutive effect for the copyrighted work. Campbell emphasizes that “the role of the courts is to distinguish between biting criticism that merely suppresses demand and copyright infringement, which usurps it.” Id. at 592. The Court concludes that “[t]he distinction between potentially remediable displacement and unremediable disparagement is reflected in the rule that there is no protectable derivative market for

4. Most courts’ analyses of the fourth factor focus on the market harms caused to the plaintiff by the defendant’s use. Yet the statute frames this factor as an analysis of the “the effect of the use upon the potential market for or value of the copyrighted work.” 17 U.S.C. § 107(4) (emphasis added). Nowhere does the statute indicate that courts should look just to the “negative effect” of the use. By stating that courts should look to “the effect” generally, should the statute be read as requiring a look at all effects of the use on the potential market for the copyrighted work, both positive and negative? For example, a defendant’s use of another’s copyrighted work might revive interest in the copyrighted work, boosting sales. For an argument that courts ought to weigh both market harms and benefits in assessing the fourth factor, see David Fagundes, *Market Harm, Market Help, and Fair Use*, 17 STAN. TECH. L. REV. 615 (2014); Jeanne C. Fromer, *Market Effects Bearing on Fair Use*, 90 WASH. L. REV. 615 (2015); Glynn S. Lunney, Jr., *Fair Use and Market Failure: Sony Revisited*, 82 B.U. L. REV. 975 (2002).

C. Effect of § 107 Preamble on Fair-Use Analysis

Recall that the preamble of § 107 lists certain uses in the context of establishing the fair use defense to copyright infringement. Section 107 provides that:

> Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright.

Are the uses enumerated there—“criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research”—to be given special preference in favor of fair use determinations? Recall the Supreme Court’s discussion of the issue in *Harper & Row*:

> News reporting is one of the examples enumerated in § 107 to “give some idea of the sort of activities the courts might regard as fair use under the circumstances.” *SENATE REPORT*, at 61.... “[W]hether a use referred to in the first sentence of section 107 is a fair use in a particular case will depend upon the application of the determinative factors, including those mentioned in the second sentence.” *SENATE REPORT*, at 62. The fact that an article arguably is “news” and therefore a productive use is simply one factor in a fair use analysis.

As you read the following case on news reporting, consider whether it is categorically likelier than other uses not enumerated in the preamble to be a fair use. If so, why?

**Sixto Núñez v. Caribbean International News Corp.**

235 F.3d 18 (1st Cir. 2000)

TORRUHELLA, C.J.: ...

[1] Appellant [Sixto] Núñez, a professional photographer, took several photographs of Joyce Giraud (Miss Puerto Rico Universe 1997) for use in Giraud’s modeling portfolio. Núñez then distributed the photographs to various members of the Puerto Rico modeling community in accordance with normal practice. After the
photographs had been taken, some controversy arose over whether they were appropriate for a Miss Puerto Rico Universe, based on the fact that Giraud was naked or nearly naked in at least one of the photos. A local television program displayed the photographs on screen and asked random citizens whether they believed the photographs were “pornographic.” Giraud was interviewed by two local television stations as to her fitness to retain the Miss Universe Puerto Rico crown. El Vocero then obtained several of the photographs through various means. Over the next week, without Núñez’s permission, three of his photographs appeared in El Vocero, along with several articles about the controversy.

Figure 105: coverage in El Vocero de Puerto Rico of Joyce Giraud

[2] Núñez claimed that the reprint of his photographs in El Vocero without his permission violated the Copyright Act of 1976....

[3] The first factor in the fair use inquiry is “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.” The focus of this analysis asks whether the new work merely supersedes the objects of the original creation or instead adds something new. The more transformative the new work, the less the significance of factors that weigh against fair use, such as use of a commercial nature.

[4] The district court found that appellee Caribbean both sought to “inform” and “gain commercially,” and that the two purposes offset each other in the fair use analysis. For a commercial use to weigh heavily against a finding of fair use, it must involve more than simply publication in a profit-making venture. After all, activities such as news reporting (which is explicitly provided for in the preamble to § 107) are generally conducted for profit in this country. We agree with the district court that the commercial use here, however, constitutes more than mere reproduction for a profitable use. The photographs were used in part to create an enticing lead page that would prompt readers to purchase the newspaper. Thus El Vocero used the photograph not only as an ordinary part of a profit-making venture, but with emphasis in an attempt to increase its revenue. For this reason, the commercial nature of the reproduction counsels against a finding of fair use.
However, the district court also found that the pictures were shown not just to titillate, but also to inform. Puerto Ricans were generally concerned about the qualifications of Giraud for Miss Puerto Rico Universe, as is demonstrated by the several television shows discussing the photographs. This informative function is confirmed by the newspaper's presentation of various news articles and interviews in conjunction with the reproduction. Appellee reprinted the pictures not just to entice the buying public, but to place its news articles in context; as the district court pointed out, “the pictures were the story.” It would have been much more difficult to explain the controversy without reproducing the photographs. And although such an explanatory need does not always result in a fair use finding, it weighs in the favor of appellee.

This is not to say that appellee’s use of the photographs was necessarily fair merely because the photographs were used for news purposes, nor does it establish a general “newsworthiness” exception. First, the Supreme Court has specifically frowned upon such an exception. See Harper & Row, 471 U.S. at 561 (“The fact that an article arguably is ‘news’ and therefore a productive use is simply one factor in a fair use analysis.”). Second, the problem with such an approach (as the Supreme Court pointed out) is that it provides an incentive for the infringer to create “news,” so that its infringement falls within the exception. Were a “newsworthy” use per se fair, journalists and news photographers would be left with little assurance of being rewarded for their work. It suffices to say here that El Vocero did not manufacture newsworthiness, as it sought not to “scoop” appellant by publishing his photograph, but merely to provide news reporting to a hungry public. And the fact that the story is admittedly on the tawdry side of the news ledger does not make it any less of a fair use.

Rather, what is important here is that plaintiffs’ photographs were originally intended to appear in modeling portfolios, not in the newspaper; the former use, not the latter, motivated the creation of the work. Thus, by using the photographs in conjunction with editorial commentary, El Vocero did not merely supersede the objects of the original creations, but instead used the works for a further purpose, giving them a new meaning, or message. It is this transformation of the works into news—and not the mere newsworthiness of the works themselves—that weighs in favor of fair use under the first factor of §107...

In sum, the highlighting of the photograph on the front cover of El Vocero exposes the commercial aspect of the infringing use, and counts against the appellee. However, the informative nature of the use ... and the fact that it would have been difficult to report the news without reprinting the photograph suggest that on the whole, this factor is either neutral or favors a finding of fair use....

The second factor focuses on “nature of the copyrighted work.” Courts have generally considered two aspects of the work in evaluating this factor: first, the extent to which it is a creative work enjoying broader copyright protection as opposed to a factual work requiring broader dissemination and second, whether it is unpublished, in which case the right of first publication is implicated.

The district court suggested, and we agree, that Núñez’s pictures could be categorized as either factual or creative: certainly, photography is an art form that requires a significant amount of skill; however, the photographs were not artistic representations designed primarily to express Núñez’s ideas, emotions, or feelings, but instead a publicity attempt to highlight Giraud’s abilities as a potential model. Given the difficulty of characterizing the “nature” of the photographs, we find that the impact of their creativity on the fair use finding is neutral.

This reproduction, however, does not threaten Núñez’s right of first publication. Although these photographs had not before been published in a book or public portfolio, they were hardly confidential or secret, as was the manuscript in Harper & Row prior to its serial publication. Giraud had commissioned the pictures for the very purpose of semi-public dissemination. Moreover, their release had created a scandal, and the photographs had already been shown on the evening news by the time of their publication in El Vocero.
Finally, Núñez had not sought to control further dissemination during his limited distribution: he had not registered the copyright prior to publication in El Vocero, required recipients to sign non-disclosure or no-resale agreements, or even sought oral promises from recipients not to re-distribute the photographs.

[12] In sum, this factor favors appellee.

[13] The third factor is the "amount and substantiality of the portion used in relation to the copyrighted work as a whole." ... The inquiry must focus upon whether the extent of copying is consistent with or more than necessary to further the purpose and character of the use. In this case, El Vocero admittedly copied the entire picture; however, to copy any less than that would have made the picture useless to the story. As a result, like the district court, we count this factor as of little consequence to our analysis.

[14] The fourth statutory factor requires us to consider "the effect of the use upon the potential market for or value of the copyrighted work." The district court, when assessing this factor, examined "whether [Núñez's] business as a photographer could be hurt," rather than "the market for the pictures," and concluded that no evidence of damage to Núñez's overall business had been adduced. We cannot agree with this approach. The statute explicitly points to the "potential market for or value of the copyrighted work." 17 U.S.C. § 107(4) (emphasis added). This statutory language suggests that we should limit our analysis to the effect of the copying on the market for the reproduced photographs. The overall impact to Núñez's business is irrelevant to a finding of fair use. In fact, to the extent that the copying damages a work's marketability by parodying it or criticizing it, the fair use finding is unaffected. In short, this factor is concerned with secondary uses that, by offering a substitute for the original, usurp a market that properly belongs to the copyright holder.

[15] ... We examine the effect of this publication on the market, and we also determine whether wide-scale reproduction of professional photographs in newspapers (for similar purposes) would in general affect the market for such photography. As to the first, we find little impact on the market for these specific pictures. The district court noted that the purpose of dissemination of the pictures in question is not to make money, but to publicize; they are distributed for free to the professional modeling community rather than sold for a profit. The fact that a relatively poor reproduction was displayed on the cover of a newspaper should not change the demand for the portfolio. If anything, it might increase it. The analysis is comparable in the abstract: even if there was widespread conduct of this sort, it would have little effect on the demand for disseminated pictures because a newspaper front page is simply an inadequate substitute for an 8″ x 10″ glossy.

[16] However, the potential market for the photographs might also include the sale to newspapers for just this purpose: illustrating controversy. It is true that El Vocero's use of the photograph without permission essentially destroys this market. There is no evidence, however, that such a market ever existed in this case. Núñez does not suggest that he ever tried to sell portfolio photographs to newspapers, or even that he had the right to do so under the contract with Giraud. Although it is more likely that other photographers do engage in such sales, and thus that widespread conduct of the type committed by El Vocero could destroy the newspaper sale market as a whole, we note again the context of this case. Surely the market for professional photographs of models publishable only due to the controversy of the photograph itself is small or nonexistent.

[17] ... Because the only discernible effect of the publication in El Vocero was to increase demand for the photograph, and because any potential market for resale directly to the newspaper was unlikely to be developed, this factor favors a finding of fair use.

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3 Although photographs such as these are generally commissioned directly by the model or the model's agent, and paid for accordingly, these particular photographs were taken as a favor to Giraud's agent.
CONCLUSION

[18] In sum, the first, second, and fourth factors generally favor a finding of fair use. The third factor does not seem particularly relevant in this context. Again, we note that the finding of fair use always entails a case-by-case analysis, and the present case is no exception. Unauthorized reproduction of professional photographs by newspapers will generally violate the Copyright Act of 1976; in this context, however, where the photograph itself is particularly newsworthy, the newspaper acquired it in good faith, and the photograph had already been disseminated, a fair use exists ....

NOTES

1. Compare the outcome in Núñez with a case in which professional photographer Louis Psihoyos sued the National Examiner over the use of his photograph of a vintage Cadillac car whose fins have been extended by car artist Larry Fuente “by several feet with a dazzling edifice of beads and rhinestones that look like flames rising into the air. The curly flames are really a mosaic of flamingoes, geese, ducks, and horses arranged one atop the other. The beads and rhinestones of many colors, including pink, gold, silver, and aqua, decorate these fins and the rest of the car.” Psihoyos v. Nat’l Examiner, 49 U.S.P.Q.2d 1766 (S.D.N.Y. 1998). Such a photograph by Psihoyos is shown in Figure 106.

The National Examiner featured this photograph along with “four other photographs of art cars as part of a pictorial article entitled ‘CAR-AZY: Take a ride on the wild side in kookie vehicles.’ As with each of the other photographs, Psihoyos’ photograph was accompanied by a short text describing the art car and its owner. In the ensuing litigation, the National Examiner claimed fair use in its defense. In particular, the defendant argued that “as a news magazine with wide distribution, it used the picture for news reporting or commenting purpose.” The court disagreed, rejecting the fair use defense. It reasoned that “[t]he Examiner’s use is not transformative, because its piece uses the photo to show what it depicts. It is clear from examining the Examiner’s article that its purpose was not to comment on the Psihoyos photo but to use it for precisely a central purpose for which it was created—to show how an art car looks.” The court continued on: “The Examiner has commercially exploited ... Psihoyos’ photo to create news—a centerfold consisting of ‘car-azy hot rods.’ Specifically, Psihoyos’ photo was placed prominently in the center of the centerfold page to attract readers’ attentions to what it depicts. The mere fact the photo depicts a newsworthy item does not justify
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commercial exploitation of it. Moreover, even if this Court were to accept the Examiner’s contention that its purpose of copying is commentary or news reporting, its profit motivation would weigh heavily against the Examiner to negate the fairness of its use under this factor.” Is this case distinguishable from Núñez? Why, or why not?

2. A number of issues arise in the context of journalism as practiced contemporarily. For example, can news reporters claim fair use of photographs of relatively unknown people taken from their social media profiles when news breaks about them? What about professional news organizations’ reuse of amateur photography and videography of breaking news posted online?

The following case concerns educational uses of copyrighted material. Consider whether it deserves preferential status as a fair use. Do all educational uses deserve preferential status? If not, how would you distinguish those that deserve preferential status from those that do not?

Cambridge University Press v. Carl V. Patton
769 F.3d 1232 (11th Cir. 2014)

TJOFLAT, J.:

[1] Three publishing houses, Cambridge University Press, Oxford University Press, and Sage Publications, Inc. … allege that members of the Board of Regents of the University System of Georgia and officials at Georgia State University … infringed Plaintiffs’ copyrights by maintaining a policy which allows GSU professors to make digital copies of excerpts of Plaintiffs’ books available to students without paying Plaintiffs. Plaintiffs alleged seventy-four individual instances of infringement, which took place during three academic terms in 2009. The District Court issued an order finding that Plaintiffs failed to establish a prima facie case of infringement in twenty-six instances, that the fair use defense applied in forty-three instances, and that Defendants had infringed Plaintiffs’ copyrights in the remaining five instances.

[2] … Because we find that the District Court’s fair use analysis was in part erroneous, we reverse the District Court’s judgment …

[3] Like many recent issues in copyright law, this is a case in which technological advances have created a new, more efficient means of delivery for copyrighted works, causing copyright owners and consumers to struggle to define the appropriate boundaries of copyright protection in the new digital marketplace. These boundaries must be drawn carefully in order to assure that copyright law serves its intended purpose, which is to promote the creation of new works for the public good by providing authors and other creators with an economic incentive to create. If copyright’s utilitarian goal is to be met, we must be careful not to place overbroad restrictions on the use of copyrighted works, because to do so would prevent would-be authors from effectively building on the ideas of others. Some unpaid use of copyrighted materials must be allowed in order to prevent copyright from functioning as a straightjacket that stifles the very creative activity it seeks to foster. If we allow too much unpaid copying, however, we risk extinguishing the economic incentive to create that copyright is intended to provide.

[4] The fair use doctrine provides a means by which a court may ascertain the appropriate balance in a given case if the market actors cannot do so on their own. Fair use is a defense that can excuse what would otherwise be an infringing use of copyrighted material…. Here, we are called upon to determine whether the
unpaid copying of scholarly works by a university for use by students—facilitated by the development of systems for digital delivery over the Internet—should be excused under the doctrine of fair use....

[5] Plaintiffs do not publish the large, general textbooks commonly used in entry-level university courses. Rather, Plaintiffs publish advanced scholarly works, which might be used in upper-level undergraduate and graduate courses. Cambridge and Oxford publish scholarly books and journals on niche subject areas. Their works involved in this case include research-based monographs, ... instructional books, trade books, and other works on academic topics. Sage primarily publishes books on the social sciences. All three plaintiffs publish, in addition to works by a single author, edited books which feature the contributions of multiple authors.

[6] Plaintiffs market their books to professors who teach at universities and colleges. Cambridge and Oxford regularly send complimentary copies of their publications to professors. Sage provides trial copies upon request. Plaintiffs intend that professors use Plaintiffs' publications in their work and assign them as required reading so that students will purchase them.

[7] Rather than assigning whole books, some professors assign or suggest excerpts from Plaintiffs' books as part of the curriculum for their courses. Professors might do this by putting the work on reserve at the university library so that students can visit the library to read an assigned excerpt. Or, professors might prepare a bound, photocopied, paper “coursepack” containing excerpts from several works for a particular course. Often, a third-party copy shop assembles these coursepacks, performing the copying and binding, obtaining the necessary licenses from publishers, and charging students a fee for the finished coursepack. In recent years, however, universities—following the trend with regard to distribution of many forms of media the world over—have increasingly abandoned paper coursepacks in favor of digital distribution of excerpts over the Internet.

[6] .... GSU maintains two on-campus systems known as “ERes” and “uLearn” for digital distribution of course materials to students....

[7] ERes and uLearn have been popular at GSU. For example, during the Spring 2009 term, paper coursepacks were offered for only about fifteen courses, while instructors in hundreds of courses made readings available on ERes. Thus, the excerpts from larger works that make up some portion of course readings at GSU, and which were once distributed to students via a paper coursepack purchased at the university bookstore, are now largely distributed to students via digital download on the Internet, that the students pay for only indirectly via tuition and fees.

[8] There exists a well-established system for the licensing of excerpts of copyrighted works. Copyright Clearance Center is a not-for-profit corporation .... [that] licenses excerpts from copyrighted works for a fee, acting on behalf of publishers who choose to make their works available through CCC. These licenses are called “permissions.” All three Plaintiffs offer excerpt-specific permissions to photocopy or digitally reproduce portions of their works, which may be obtained directly from Plaintiffs or through CCC. Permissions are not, however, available for licensed copying of excerpts from all of Plaintiffs’ works.

[9] CCC offers a variety of permissions services to various categories of users, including corporate, educational, and institutional users. One such service, the Academic Permissions Service, licenses educational users to make print copies on a per-use basis. CCC also offers an electronic course content service for licensing of digital excerpts by educational users on a per-use basis, that—in 2008, the year for which evidence on the question was presented—offered only a small percentage of the works that were available through APS. ECCS is designed for electronic reserve systems such as ERes and uLearn. Software is available that would allow GSU library personnel to place an order with CCC for a permission to provide students with a digital copy of an
excerpt via ERes. CCC also offers an Academic Repertory License Service which affords subscribers access to excerpts from a set group of about nine million titles, approximately 17 percent of which are available in digital format. Sage participates in ARLS and did so in 2009, Oxford participated in 2009 with regard to journals but not books, and Cambridge does not participate. GSU did not and does not subscribe to this program.

[10] When the GSU bookstore assembles and sells a paper coursepack containing excerpts from copyrighted works, GSU pays permissions fees for use of the excerpts. The central issue in this case is under what circumstances GSU must pay permissions fees to post a digital copy of an excerpt of Plaintiffs' works to ERes or uLearn....

[11] On April 15, 2008, Plaintiffs filed their original complaint .... Plaintiffs alleged that hundreds of GSU professors have made thousands of copyrighted works—including works owned or controlled by Plaintiffs—available on GSU’s electronic reserve systems without obtaining permissions from copyright holders, and that GSU's administration facilitated, encouraged, and induced this practice. Plaintiffs sued Defendants in their official capacities as GSU officials, claiming ... copyright infringement .... Defendants ... assert[ed] a defense of fair use because any alleged use of copyrighted materials was for the purpose of teaching, scholarship or research and for nonprofit educational purposes...

[12] On February 17, 2009, [GSU] announced a new copyright policy ..., which went into effect the same day. Under the 2009 Policy, a revised version of which remains in effect today, GSU professors who wish to post an excerpt of a copyrighted work on ERes or uLearn for distribution to their students must first determine whether they believe that doing so would be fair use. In order to make this determination, professors must fill out a "Fair Use Checklist" for each excerpt.

[13] The Checklist allows GSU professors to perform a version of the analysis a court might perform should the professor claim fair use in a subsequent copyright infringement suit.... For each factor, the Checklist provides several criteria that purportedly weigh either for or against a finding of fair use, each with a corresponding checkbox. The Checklist instructs professors to check each criterion that applies, and then add up the checks to determine whether the factor weighs in favor of or against a finding of fair use. After making this tally, the Checklist explains that “[w]here the factors favoring fair use outnumber those against it, reliance on fair use is justified. Where fewer than half the factors favor fair use, instructors should seek permission from the rights holder.” Thus, under the 2009 Policy, a GSU professor may post an excerpt of a copyrighted work on ERes or uLearn without obtaining a permission from the copyright holder if the professor first decides that doing so would be protected by the doctrine of fair use, according to the criteria set forth in the Checklist....

[14] ... [T]he District Court issued an order holding that Defendants had infringed Plaintiffs’ copyright in five of the seventy-four instances at issue....

[15] .... The District Court held that the first fair use factor, “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes,” “strongly favor[ed]
Defendants” in all instances because “[t]his case involves making copies of excerpts of copyrighted works for teaching students and for scholarship … [and so] [t]he use is for strictly nonprofit educational purposes.”

[16] The District Court held that the second fair use factor, “the nature of the copyrighted work,” favored Defendants in all instances because it found—after undertaking an individualized review of all of the works at issue for which it found that Plaintiffs had made a prima facie case of infringement—that “the books involved in this case are properly classified as informational in nature, within the spectrum of factual materials and hence favoring fair use.”

[17] The District Court held that the third fair use factor, “the amount and substantiality of the portion used in relation to the copyrighted work as a whole,” “favor[ed] either Plaintiffs or Defendants, depending on the amount taken from each book.”

[18] After hearing testimony from several GSU professors as to the reasoning behind their choice of a particular excerpt and how use of that excerpt furthered the professor’s goals for a particular class, the District Court found that all of the selections furthered the legitimate educational purposes of the courses in which they were used. The District Court also found that some professors’ educational purposes were furthered by using whole chapters of books, because chapters typically contain a complete treatment of a topic.

[19] The District Court then determined that “[t]he right approach is to select a percentage of pages which reasonably limits copying and to couple that with a reasonable limit on the number of chapters which may be copied.” Accordingly, the District Court held that

> [w]here a book is not divided into chapters or contains fewer than ten chapters, unpaid copying of no more than 10 percent of the pages in the book is permissible under factor three…. Where a book contains ten or more chapters, the unpaid copying of up to but no more than one chapter (or its equivalent) will be permissible under fair use factor three…. The chapter or other excerpt must fill a demonstrated, legitimate purpose in the course curriculum and must be narrowly tailored to accomplish that purpose. Where the foregoing limitations are met factor three will favor fair use, i.e., will favor Defendants. Otherwise factor three will favor Plaintiffs….

[20] With regard to the fourth fair use factor, “the effect of the use upon the potential market for or value of the copyrighted work,” the District Court found that “Defendants’ use of small excerpts did not affect Plaintiffs’ actual or potential sales of books” because they do not substitute for the books. However, the District Court found that Defendants’ use of excerpts may be at the cost of Plaintiffs’ licensing revenues, and so may affect the market for licensing of excerpts. Thus, the District Court concluded that, in reviewing the individual instances of alleged infringement, it would analyze fair use factor four as follows:

> [W]here permissions are readily available from CCC or the publisher for a copy of a small excerpt of a copyrighted book, at a reasonable price, and in a convenient format (in this case, permissions for digital excerpts), and permissions are not paid, factor four weighs heavily in Plaintiffs’ favor. Factor four weighs in Defendants’ favor when such permissions are not readily available.

[21] … [I]n cases where no evidence showed whether digital permissions were readily available for excerpts of a particular work, the District Court found that the fourth fair use factor favored Defendants.

[22] The District Court took into account two additional considerations. First, the District Court noted that, based on testimony that “royalties are not an important incentive for academic writers,” and on a presumption that that academic authors publish primarily to enhance their professional reputation and contribute to academic knowledge, “[t]here is no reason to believe that allowing unpaid, nonprofit academic
use of small excerpts in controlled circumstances would diminish creation of academic works." Second, the District Court found that "it is consistent with the principles of copyright to apply the fair use doctrine in a way that promotes the dissemination of knowledge, and not simply its creation." The District Court noted that the evidence demonstrates that academic permissions income does not represent a significant portion of Plaintiffs’ overall revenue. Thus, the District Court found that a slight diminution of Plaintiffs’ permissions income caused by the District Court’s findings of fair use would not appreciably harm Plaintiffs’ ability to publish scholarly works. On the other hand, the District Court found, “[m]aking small free excerpts available to students would further the spread of knowledge.” …

[23] In weighing the fair use factors to assess each of the forty-eight instances of alleged infringement for which the District Court found that Plaintiffs had established a prima facie case, the District Court held that fair use applied whenever at least three of the four factors favored Defendants. Because the District Court found that factors one and two favored Defendants in all cases, the District Court essentially held that fair use applied each time a professor posted an excerpt that fell within the 10 percent-or-one-chapter limit on allowable copying the District Court had set (such that factor three favored Defendants) and each time there was no evidence that digital permissions were available for excerpts of the work in question (such that factor four favored Defendants).

[24] With regard to factor three, in thirty-five of the forty-eight claims of infringement, the District Court found that the copying was “decidedly small” because it fell within the 10 percent-or-one-chapter limit, and so factor three favored Defendants. In the other thirteen cases, the copying exceeded the 10 percent-or-one-chapter limit, and so the District Court held that factor three favored Plaintiffs.

[25] With regard to factor four, in seventeen of the forty-eight cases, the District Court found that the parties had presented no evidence regarding licensing availability, but because the District Court placed the burden on this issue on Plaintiffs, the District Court found that factor four favored Defendants. In the other thirty-one cases, the District Court found that Plaintiffs had made digital licensing available for excerpts of the work in question, and so, because there was a “ready market for licensed digital excerpts of [the] work in 2009,” factor four strongly favored Plaintiffs….

[26] Of the forty-eight instances of alleged infringement for which the District Court found that Plaintiffs had established a prima facie case, the District Court held that Defendants had infringed Plaintiffs’ copyrights in five instances and that the fair use defense applied in forty-three. The District Court concluded that the 2009 Policy had caused the five instances of infringement. In reaching this conclusion, the District Court noted that the 2009 Policy did not limit copying to excerpts which were “decidedly small,” did not prohibit the copying of multiple chapters from the same book, and did not provide sufficient guidance in determining the effect the use of an excerpt may have on the market for or value of the copyrighted work….

[27] …. On appeal, … Plaintiffs argue that the District Court’s application of the fair use factors was legally flawed, and that the District Court consequently erred in finding that the fair use defense applied in forty-three of the forty-eight remaining instances of alleged infringement….

[28] … [T]he examples enumerated in the preamble of § 107—“criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research”—are meant to give some idea of the sort of activities the courts might regard as fair use under the circumstances. This listing was not intended to be exhaustive, or to single out any particular use as presumptively a fair use….

[29] Plaintiffs … argue that the District Court erred in giving each of the four factors equal weight, essentially taking a mechanical “add up the factors” approach, finding fair use if three factors weighed in favor of fair use
and one against and vice versa, and only performing further analysis in case of a “tie.” We agree that the District Court’s arithmetic approach was improper.

[30] Congress, in the Copyright Act, spoke neither to the relative weight courts should attach to each of the four factors nor to precisely how the factors ought to be balanced. However, the Supreme Court has explained that the four statutory factors may not be treated in isolation, one from another. All are to be explored, and the results weighed together, in light of the purposes of copyright. In keeping with this approach, a given factor may be more or less important in determining whether a particular use should be considered fair under the specific circumstances of the case. As such, the four factors do not mechanistically resolve fair use issues.... Accordingly, we find that the District Court erred in giving each of the four factors equal weight, and in treating the four factors as a simple mathematical formula. As we will explain, because of the circumstances of this case, some of the factors weigh more heavily on the fair use determination than others...

[31] Plaintiffs [also] argue that the District Court erred in its application of each of the four fair use factors. Plaintiffs’ argument centers on a comparison of the circumstances of the instant case to those of the so-called “coursepack cases,” in which courts rejected a defense of fair use for commercial copyshops that assembled paper coursepacks containing unlicensed excerpts of copyrighted works for use in university courses.

[32] In Basic Books, Inc. v. Kinko’s Graphics Corp., publishing houses sued Kinko’s, a commercial copyshop, alleging that Kinko’s infringed the publishers’ copyrights when it copied excerpts from the publishers’ books, without permission and without payment of a license fee, and sold the copies for profit in bound, paper coursepacks to students for use in college courses. 758 F. Supp. 1522, 1526 (S.D.N.Y. 1991). The District Court rejected Kinko’s claim that its use of the excerpts was fair use ....

[33] Similarly, in Princeton University Press v. Michigan Document Services, Inc., the Sixth Circuit upheld the District Court’s ruling that Michigan Document Services, a commercial copyshop, was not entitled to a fair use defense when it reproduced substantial portions of copyrighted academic works and sold the copies in bound, paper coursepacks to students for use in courses at the University of Michigan, without obtaining permission from the copyright holder. 99 F.3d 1381, 1383 (6th Cir. 1996) (en banc).

[34] In essence, Plaintiffs argue that the coursepack cases should have guided the District Court’s analysis in this case, because GSU cannot alter the fair use calculus simply by choosing to distribute course readings in an electronic rather than paper format....

[35] ... [B]ecause the fair use analysis is highly fact-specific and must be performed on a work-by-work basis, the coursepack cases provide guidance but do not dictate the results here, which must be based upon a careful consideration of the circumstances of the individual instances of alleged infringement involved in this case.

1. ...

[36] Here, Defendants’ use of excerpts of Plaintiffs’ works is not transformative. The excerpts of Plaintiffs’ works posted on GSU’s electronic reserve system are verbatim copies of portions of the original books which have merely been converted into a digital format. Although a professor may arrange these excerpts into a particular order or combination for use in a college course, this does not imbue the excerpts themselves with any more than a de minimis amount of new meaning. See Princeton University Press, 99 F.3d at 1389 (“[I]f you make verbatim copies of 95 pages of a 316-page book, you have not transformed the 95 pages very much—even if you juxtapose them to excerpts from other works.”).
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[37] Nor do Defendants use the excerpts for anything other than the same intrinsic purpose—or at least one of the purposes—served by Plaintiffs’ works: reading material for students in university courses. Although an electronic reserve system may facilitate easy access to excerpts of Plaintiffs’ works, it does nothing to transform those works. Rather, Defendants’ use of excerpts of Plaintiffs’ works supersedes the objects of the original creation. Were this element by itself dispositive, we would be compelled to find that the first factor weighs against a finding of fair use.

[38] However, we must also consider under the first factor whether Defendants’ use is for a nonprofit educational purpose, as opposed to a commercial purpose…. Indeed, the Supreme Court has recognized in dicta that nonprofit educational use may weigh in favor of a finding of fair use under the first factor, even when nontransformative. Campbell, 510 U.S. at 579 n.11 (“The obvious statutory exception to this focus on transformative uses is the straight reproduction of multiple copies for classroom distribution.”).

[39] Because copyright has always been used to promote learning, allowing some leeway for educational fair use furthers the purpose of copyright by providing students and teachers with a means to lawfully access works in order to further their learning in circumstances where it would be unreasonable to require permission. But, as always, care must be taken not to allow too much educational use, lest we undermine the goals of copyright by enervating the incentive for authors to create the works upon which students and teachers depend.

[40] In the coursepack cases, Princeton University Press and Basic Books, the first factor weighed against a finding of fair use when the nontransformative, educational use in question was performed by a for-profit copyshop, and was therefore commercial…. [T]he[se] court[s] refused to allow the defendants, who were engaged in commercial operations, to stand in the shoes of students and professors in claiming that their making of multiple copies of scholarly works was for nonprofit educational purposes.

[41] However, in both of the coursepack cases, the courts expressly declined to conclude that the copying would fall outside the boundaries of fair use if conducted by professors, students, or academic institutions...

[42] Thus, the question becomes whether Defendants’ use of Plaintiffs’ works is truly a nonprofit educational use under § 107(1), and if so, whether this places sufficient weight on the first factor scales to justify a finding that this factor favors fair use despite the nontransformativeness of Defendants’ use.

[43] GSU is a nonprofit educational institution. While this is relevant, our inquiry does not end there: we must consider not only the nature of the user, but the use itself.

[44] Defendants’ use of Plaintiffs’ works in the teaching of university courses is clearly for educational purposes. Nevertheless, it is not entirely clear that use by a nonprofit entity for educational purposes is always a “nonprofit” use as contemplated by § 107(1). The Supreme Court has explained that “[t]he crux of the profit/nonprofit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.” Harper & Row, 471 U.S. at 562....

[45] Under [one] line of reasoning, Defendants’ educational use of Plaintiffs’ works is a for-profit use despite GSU’s status as a nonprofit educational institution, and despite the fact that GSU does not directly sell access to Plaintiffs’ works on Eres and uLearn. Defendants “exploited” Plaintiffs’ copyrighted material for use in university courses without “paying the customary price”—a licensing fee. Defendants profited from the use of excerpts of Plaintiffs’ works—however indirectly—because GSU collects money from students in the form of tuition and fees (which students pay in part for access to ERes and uLearn) and reduces its costs by avoiding fees it might have otherwise paid for the excerpts.
However, this reasoning is somewhat circular, and hence of limited usefulness to our fair use inquiry. Of course, any unlicensed use of copyrighted material profits the user in the sense that the user does not pay a potential licensing fee, allowing the user to keep his or her money. If this analysis were persuasive, no use could qualify as “nonprofit” under the first factor. Moreover, if the use is a fair use, then the copyright owner is not entitled to charge for the use, and there is no “customary price” to be paid in the first place...

Although GSU certainly benefits from its use of Plaintiffs’ works by being able to provide the works conveniently to students, and profits in the sense that it avoids paying licensing fees, Defendants’ use is not fairly characterized as commercial exploitation. Even if Defendants’ use profits GSU in some sense, we are not convinced that this type of benefit is indicative of commercial use. There is no evidence that Defendants capture significant revenues as a direct consequence of copying Plaintiffs’ works. At the same time, the use provides a broader public benefit—furthering the education of students at a public university.

Thus, we find that Defendants’ use of Plaintiffs’ works is of the nonprofit educational nature that Congress intended the fair use defense to allow under certain circumstances. Furthermore, we find this sufficiently weighty that the first factor favors a finding of fair use despite the nontransformative nature of the use.

The text of the fair use statute highlights the importance Congress placed on educational use. The preamble to the statute provides that fair uses may include “teaching (including multiple copies for classroom use), scholarship, or research” and the first factor singles out “nonprofit educational purposes.” 17 U.S.C. § 107. The legislative history of § 107 further demonstrates that Congress singled out educational purposes for special consideration. In the years leading up to passage of the Copyright Act of 1976 (which introduced § 107), Congress devoted considerable attention to working out the proper scope of the fair use defense as applied to copying for educational and classroom purposes, going so far as to include in a final report the Classroom Guidelines developed by representatives of educator, author, and publisher groups at the urging of Congress....

Accordingly, we find that the District Court did not err in holding that the first factor favors a finding of fair use. Nevertheless, because Defendants’ use of Plaintiffs’ works is nontransformative, the threat of market substitution is significant. We note that insofar as the first factor is concerned with uses that supplant demand for the original, this factor is closely related to the fourth fair use factor, the effect on the potential market for the work. We will thus revisit this concern when we analyze the fourth factor.

Defendants argue that GSU professors chose the excerpts of Plaintiffs’ works for their factual content, not for any expressive content the works may contain, noting that several professors testified that if the use of a particular excerpt was not a fair use, they would have found another source. Of course, other professors testified that they chose particular excerpts because of the author’s interpretative originality and significance. Regardless of whether GSU faculty chose the excerpts for their expressive or factual content, the excerpts were copied wholesale—facts, ideas, and original expression alike. Which aspect the secondary user was interested in is irrelevant to the disposition of the second factor.

Accordingly, we find that the District Court erred in holding that the second factor favored fair use in every instance. Where the excerpts of Plaintiffs’ works contained evaluative, analytical, or subjectively descriptive material that surpasses the bare facts necessary to communicate information, or derives from the
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author’s experiences or opinions, the District Court should have held that the second factor was neutral, or even weighed against fair use in cases of excerpts that were dominated by such material. That being said, the second fair use factor is of relatively little importance in this case.

3. ...

[54] Here, the District Court found that the third factor favored fair use in instances where Defendants copied no more than 10 percent of a work, or one chapter in case of a book with ten or more chapters. The District Court’s blanket 10 percent-or-one-chapter benchmark was improper. The fair use analysis must be performed on a case-by-case/work-by-work basis. We must avoid hard evidentiary presumptions and eschew a rigid, bright-line approach to fair use. By holding that the third factor favored fair use whenever the amount of copying fell within a 10 percent-or-one-chapter baseline, the District Court abdicated its duty to analyze the third factor for each instance of alleged infringement individually....

[55] Defendants also argue that the District Court’s 10 percent-or-one-chapter approach is supported by the record. Defendants’ explain that a CCC white paper, Using Electronic Reserves: Guidelines and Best Practices for Copyright Compliance (2011), identifies “best practices” for electronic reserves, stating that electronic reserve materials should be limited to “small excerpts” and that “[m]ost experts advise using a single article or ... chapter of a copyrighted work....” However, even if we accept that the 10 percent-or-one-chapter approach represents a general industry “best practice” for electronic reserves, this is not relevant to an individualized fair use analysis....

[56] Accordingly, .... we find that the District Court erred in applying a 10 percent-or-one-chapter safe harbor in it analysis of the individual instances of alleged infringement. The District Court should have analyzed each instance of alleged copying individually, considering the quantity and the quality of the material taken—including whether the material taken constituted the heart of the work—and whether that taking was excessive in light of the educational purpose of the use and the threat of market substitution.

4. ...

[57] We agree with the District Court that the small excerpts Defendants used do not substitute for the full books from which they were drawn. Plaintiffs offered no trial testimony or evidence showing that they lost any book sales in or after 2009 on account of any actions by anyone at Georgia State. Thus, the District Court did not err in finding that Defendants’ use of small excerpts did not affect Plaintiffs’ actual or potential sales of books.

[58] However, CCC’s various programs for academic permissions—and Plaintiffs’ own permissions programs—constitute a workable market through which universities like GSU may purchase licenses to use excerpts of Plaintiffs’ works. Plaintiffs contend that, by failing to purchase digital permissions to use excerpts of Plaintiffs’ works on ERes and uLearn, Defendants caused substantial harm to the market for licenses, and that widespread adoption of this practice would cause substantial harm to the potential market. Plaintiffs also argue that, even if a license for a digital excerpt of a work was unavailable, this should not weigh in favor of fair use because the copyright owner is not obliged to accommodate prospective users.

[59] Defendants argue that, because permissions income for academic books represents a miniscule percentage of Plaintiffs’ overall revenue, Defendants’ practices have not caused substantial harm to the market for Plaintiffs works, and would not do so even if widely adopted. Defendants further argue that unavailability of licensing opportunities for particular works should weigh in favor of fair use.
[60] We note that it is not determinative that programs exist through which universities may license excerpts of Plaintiffs’ works. In other words, the fact that Plaintiffs have made paying easier does not automatically dictate a right to payment....

[61] .... [A]bsent evidence to the contrary, if a copyright holder has not made a license available to use a particular work in a particular manner, the inference is that the author or publisher did not think that there would be enough such use to bother making a license available. In such a case, there is little damage to the publisher’s market when someone makes use of the work in that way without obtaining a license, and hence the fourth factor should generally weigh in favor of fair use. This is true of Plaintiffs’ works for which no license for a digital excerpt was available...

[62] .... A publisher determines the value of a work, which is set by the anticipated demand for the work. Thus, the greater the demand for the work—the greater the market—the more the publisher will pay the author of the work up front, and the more the publisher will endeavor to make the work widely available. If a publisher makes licenses available for some uses but not for others, this indicates that the publisher has likely made a reasoned decision not to enter the licensing market for those uses, which implies that the value of that market is minimal.

[63] With regard to the works for which digital permissions were unavailable, Plaintiffs choose to enter those works into some markets—print copies of the whole work, or perhaps licenses for paper copies of excerpts—but not the digital permission market. This tells us that Plaintiffs likely anticipated that there would be little to no demand for digital excerpts of the excluded works and thus saw the value of that market as de minimis or zero. If the market for digital excerpts were in fact de minimis or zero, then neither Defendants’ particular use nor a widespread use of similar kind would be likely to cause significant market harm. Of course, if publishers choose to participate in the market the calculation will change.

[64] In its individual analysis under the fourth factor of each of the forty-eight works for which it found Plaintiffs had made a prima facie case of infringement, the District Court performed a sufficiently nuanced review of the evidence regarding license availability. Where the evidence showed that there was a ready market for digital excerpts of a work in 2009, the time of the purported infringements, the District Court found that there was small—due to the amount of money involved—but actual damage to the value of Plaintiffs’ copyright. The District Court also properly took into account that widespread use of similar unlicensed excerpts could cause substantial harm to the potential market. Thus, where there was a license for digital excerpts available, the District Court generally held that the fourth factor weighed against a finding of fair use. In close cases, the District Court went further and examined the amount of permissions income a work had generated in order to determine how much this particular revenue source contributed to the value of the copyright in the work, noting that where there is no significant demand for excerpts, the likelihood of repetitive unpaid use is diminished. Where there was no evidence in the record to show that a license for digital excerpts was available—as was the case for seventeen works published by Oxford and Cambridge—the District Court held that the fourth factor weighted in favor of fair use. We find that the District Court’s analysis under the fourth factor was correct, and that the District Court properly took license availability into account in determining whether the fourth factor weighted for or against fair use....

[65] Accordingly, we REVERSE the judgment of the District Court. We ... REMAND for further proceedings consistent with this opinion.

NOTES

1. On remand, the district court stated that it “estimates the initial, approximate respective weights of the four factors as follows: 25% for factor one, 5% for factor two, 30% for factor three, and 40% for factor four.” It
then performed individualized inquiries for each work, always having the first factor favor fair use, concluding that 44 of the 48 claims of infringement were fair uses. On appeal again, the Eleventh Circuit remanded again to the district court to revisit its analysis because the court “failed to break free of its erroneous arithmetic approach and to give each excerpt the holistic review the Act demands.” Cambridge University Press v. Albert, 906 F.3d 1290, 1300 (11th Cir. 2018). The district court consequently evaluated individually each work used and concluded that the plaintiffs prevailed on 11 of their claims of infringement but the defendants’ claims of fair use succeeded as to the 37 other infringement claims. Cambridge Univ. Press v. Becker, --- F. Supp. 3d ---- (N.D. Ga. 2020).

2. Do you think fair use analyses ought to distinguish between materials specifically produced for the education market and materials that happen to be used in the course of education? Why, or why not?

3. For varied analyses of how to understand which educational uses of copyrighted material ought to be considered fair (particularly on the ground that they are transformative), see Ann Bartow, Educational Fair Use in Copyright: Reclaiming the Right to Photocopy Freely, 60 U. Pitt. L. Rev. 149 (1998); Brandon Butler, Transformative Teaching and Educational Fair Use After Georgia State, 48 Conn. L. Rev. 473 (2015); Peter Jaszi, Fair Use and Education: The Way Forward, 25 Law & Literature 33 (2013).

D. Fair Use in Software and Technology

Recall from Chapter II’s study of copyrightable subject matter how computer software and technology did not fit as readily into copyright law as more traditional subject matter. You saw that this peculiar fit is due both to the functionality of software and the network effects in the marketplace for it. This section revisits these issues in the context of analyzing fair use for software and technology.

As you read the following case, consider whether fair use serves the same purposes as in the previous cases you’ve read or whether it is being deployed for different purposes for software and technology.

**Sega Enterprises Ltd. v. Accolade, Inc.**  
977 F.2d 1510 (9th Cir. 1992)

REINHARDT, J.: ...

[1] Plaintiff-appellee Sega Enterprises, Ltd., a Japanese corporation, and its subsidiary, Sega of America, develop and market video entertainment systems, including the “Genesis” console ... and video game cartridges. Defendant-appellant Accolade, Inc., is an independent developer, manufacturer, and marketer of computer entertainment software, including game cartridges that are compatible with the Genesis console, as well as game cartridges that are compatible with other computer systems.

[2] Sega licenses its copyrighted computer code and its “SEGA” trademark to a number of independent developers of computer game software. Those licensees develop and sell Genesis-compatible video games in competition with Sega. Accolade is not and never has been a licensee of Sega. Prior to rendering its own games compatible with the Genesis console, Accolade explored the possibility of entering into a licensing agreement with Sega, but abandoned the effort because the agreement would have required that Sega be the exclusive manufacturer of all games produced by Accolade.
[3] Accolade used a two-step process to render its video games compatible with the Genesis console. First, it reverse engineered Sega’s video game programs in order to discover the requirements for compatibility with the Genesis console. As part of the reverse engineering process, Accolade transformed the machine-readable object code contained in commercially available copies of Sega’s game cartridges into human-readable source code using a process called “disassembly” or “decompilation.” Accolade purchased a Genesis console and three Sega game cartridges, wired a decompiler into the console circuitry, and generated printouts of the resulting source code. Accolade engineers studied and annotated the printouts in order to identify areas of commonality among the three game programs. They then loaded the disassembled code back into a computer, and experimented to discover the interface specifications for the Genesis console by modifying the programs and studying the results. At the end of the reverse engineering process, Accolade created a development manual that incorporated the information it had discovered about the requirements for a Genesis-compatible game. According to the Accolade employees who created the manual, the manual contained only functional descriptions of the interface requirements and did not include any of Sega’s code.

[4] In the second stage, Accolade created its own games for the Genesis. According to Accolade, at this stage it did not copy Sega’s programs, but relied only on the information concerning interface specifications for the Genesis that was contained in its development manual. Accolade maintains that with the exception of the interface specifications, none of the code in its own games is derived in any way from its examination of Sega’s code. In 1990, Accolade released “Ishido”, a game which it had originally developed and released for use with the Macintosh and IBM personal computer systems, for use with the Genesis console....

[5] Accolade learned of the impending release of the [latest Genesis console, the] Genesis III[,] ... when the Genesis III was displayed at a consumer electronics show. When a demonstration at the consumer electronics show revealed that Accolade’s “Ishido” game cartridges would not operate on the Genesis III, Accolade returned to the drawing board. During the reverse engineering process, Accolade engineers had discovered a small segment of code ... that was included in the “power-up” sequence of every Sega game, but that had no identifiable function....

[6] .... After further study, Accolade added the code to its development manual in the form of a standard header file to be used in all games [to work on all Genesis consoles, including the Genesis III]. The file contains approximately twenty to twenty-five bytes of data. Each of Accolade’s games contains a total of 500,000 to 1,500,000 bytes. According to Accolade employees, the header file is the only portion of Sega’s code that Accolade copied into its own game programs.

[7] In 1991, Accolade released five more games for use with the Genesis III, “Star Control”, “Hardball!”, “Onslaught”, “Turrican”, and “Mike Ditka Power Football.” With the exception of “Mike Ditka Power Football”, all of those games, like “Ishido”, had originally been developed and marketed for use with other hardware systems. All contained the standard header file that included the ... initialization code....

[8] Sega filed suit against Accolade ..., alleging .... copyright infringement....

[9] Accolade raises four arguments in support of its position that disassembly of the object code in a copyrighted computer program does not constitute copyright infringement. First, it maintains that intermediate copying does not infringe the exclusive rights granted to copyright owners in section 106 of the Copyright Act unless the end product of the copying is substantially similar to the copyrighted work. Second, it argues that disassembly of object code in order to gain an understanding of the ideas and functional concepts embodied in the code is lawful under section 102(b) of the Act, which exempts ideas and functional concepts from copyright protection. Third, it suggests that disassembly is authorized by section 117 of the Act, which entitles the lawful owner of a copy of a computer program to load the program into a computer.
Finally, Accolade contends that disassembly of object code in order to gain an understanding of the ideas and functional concepts embodied in the code is a fair use that is privileged by section 107 of the Act.

Neither the language of the Act nor the law of this circuit supports Accolade's first three arguments. Accolade's fourth argument, however, has merit....

A. Intermediate Copying

The Copyright Act does not distinguish between unauthorized copies of a copyrighted work on the basis of what stage of the alleged infringer's work the unauthorized copies represent. Our [understanding] was based on the plain language of the Act. Section 106 grants to the copyright owner the exclusive rights “to reproduce the work in copies”, “to prepare derivative works based upon the copyrighted work”, and to authorize the preparation of copies and derivative works. Section 501 provides that "[a]nyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118 ... is an infringer of the copyright." On its face, that language unambiguously encompasses and proscribes intermediate copying.

In order to constitute a “copy” for purposes of the Act, the allegedly infringing work must be fixed in some tangible form, “from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” 17 U.S.C. § 101. The computer file generated by the disassembly program, the printouts of the disassembled code, and the computer files containing Accolade's modifications of the code that were generated during the reverse engineering process all satisfy that requirement. The intermediate copying done by Accolade therefore falls squarely within the category of acts that are prohibited by the statute....

We hold that intermediate copying of computer object code may infringe the exclusive rights granted to the copyright owner in section 106 of the Copyright Act regardless of whether the end product of the copying also infringes those rights. If intermediate copying is permissible under the Act, authority for such copying must be found in one of the statutory provisions to which the rights granted in section 106 are subject.

B. The Idea/Expression Distinction

Accolade next contends that disassembly of computer object code does not violate the Copyright Act because it is necessary in order to gain access to the ideas and functional concepts embodied in the code, which are not protected by copyright. Because humans cannot comprehend object code, it reasons, disassembly of a commercially available computer program into human-readable form should not be considered an infringement of the owner’s copyright. Insofar as Accolade suggests that disassembly of object code is lawful per se, it seeks to overturn settled law.

Accolade's argument regarding access to ideas is, in essence, an argument that object code is not eligible for the full range of copyright protection. Although some scholarly authority supports that view, we have previously rejected it based on the language and legislative history of the Copyright Act....

The ideas and functional concepts underlying many types of computer programs, including word processing programs, spreadsheets, and video game displays, are readily discernible without the need for disassembly, because the operation of such programs is visible on the computer screen. The need to disassemble object code arises, if at all, only in connection with operations systems, system interface procedures, and other programs that are not visible to the user when operating—and then only when no alternative means of gaining an understanding of those ideas and functional concepts exists. In our view, consideration of the unique nature of computer object code thus is more appropriate as part of the case-by-
case, equitable “fair use” analysis authorized by section 107 of the Act. Accordingly, we reject Accolade’s second argument.

C. Section 117

[17] Section 117 of the Copyright Act allows the lawful owner of a copy of a computer program to copy or adapt the program if the new copy or adaptation “is created as an essential step in the utilization of the computer program in conjunction with a machine and ... is used in no other manner.” 17 U.S.C. § 117(1). Accolade contends that section 117 authorizes disassembly of the object code in a copyrighted computer program.

[18] Section 117 was enacted on the recommendation of CONTU, which noted that “[b]ecause the placement of any copyrighted work into a computer is the preparation of a copy [since the program is loaded into the computer’s memory], the law should provide that persons in rightful possession of copies of programs be able to use them freely without fear of exposure to copyright liability.” CONTU REPORT at 13. We think it is clear that Accolade’s use went far beyond that contemplated by CONTU and authorized by section 117. Section 117 does not purport to protect a user who disassembles object code, converts it from assembly into source code, and makes printouts and photocopies of the refined source code version.

D. Fair Use

[19] Accolade contends, finally, that its disassembly of copyrighted object code as a necessary step in its examination of the unprotected ideas and functional concepts embodied in the code is a fair use that is privileged by section 107 of the Act. Because, in the case before us, disassembly is the only means of gaining access to those unprotected aspects of the program, and because Accolade has a legitimate interest in gaining such access (in order to determine how to make its cartridges compatible with the Genesis console), we agree with Accolade. Where there is good reason for studying or examining the unprotected aspects of a copyrighted computer program, disassembly for purposes of such study or examination constitutes a fair use....

[20] As a preliminary matter, we reject Sega’s contention that the assertion of a fair use defense in connection with the disassembly of object code is precluded by statute. First, Sega argues that not only does section 117 of the Act not authorize disassembly of object code, but it also constitutes a legislative determination that any copying of a computer program other than that authorized by section 117 cannot be considered a fair use of that program under section 107. That argument verges on the frivolous. Each of the exclusive rights created by section 106 of the Copyright Act is expressly made subject to all of the limitations contained in sections 107 through 120. Nothing in the language or the legislative history of section 117, or in the CONTU Report, suggests that section 117 was intended to preclude the assertion of a fair use defense with respect to uses of computer programs that are not covered by section 117, nor has section 107 been amended to exclude computer programs from its ambit.

[21] Moreover, sections 107 and 117 serve entirely different functions. Section 117 defines a narrow category of copying that is lawful per se. Section 107, by contrast, establishes a defense to an otherwise valid claim of copyright infringement. It provides that particular instances of copying that otherwise would be actionable are lawful, and sets forth the factors to be considered in determining whether the defense applies. The fact that Congress has not chosen to provide a per se exemption to section 106 for disassembly does not mean that particular instances of disassembly may not constitute fair use....

[22] With respect to the first statutory factor, we observe initially that the fact that copying is for a commercial purpose weighs against a finding of fair use. However, the presumption of unfairness that arises in such cases can be rebutted by the characteristics of a particular commercial use....
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[23] Sega argues that because Accolade copied its object code in order to produce a competing product, the *Harper & Row* presumption applies and precludes a finding of fair use. That analysis is far too simple and ignores a number of important considerations. We must consider other aspects of “the purpose and character of the use” as well. As we have noted, the use at issue was an intermediate one only and thus any commercial “exploitation” was indirect or derivative.

[24] The declarations of Accolade’s employees indicate, and the district court found, that Accolade copied Sega’s software solely in order to discover the functional requirements for compatibility with the Genesis console—aspects of Sega's programs that are not protected by copyright. With respect to the video game programs contained in Accolade's game cartridges, there is no evidence in the record that Accolade sought to avoid performing its own creative work. Indeed, most of the games that Accolade released for use with the Genesis console were originally developed for other hardware systems. Moreover, with respect to the interface procedures for the Genesis console, Accolade did not seek to avoid paying a customarily charged fee for use of those procedures, nor did it simply copy Sega’s code; rather, it wrote its own procedures based on what it had learned through disassembly. Taken together, these facts indicate that although Accolade’s ultimate purpose was the release of Genesis-compatible games for sale, its direct purpose in copying Sega’s code, and thus its direct use of the copyrighted material, was simply to study the functional requirements for Genesis compatibility so that it could modify existing games and make them usable with the Genesis console. Moreover, as we discuss below, no other method of studying those requirements was available to Accolade. On these facts, we conclude that Accolade copied Sega's code for a legitimate, essentially non-exploitative purpose, and that the commercial aspect of its use can best be described as of minimal significance.

[25] We further note that we are free to consider the public benefit resulting from a particular use notwithstanding the fact that the alleged infringer may gain commercially. Public benefit need not be direct or tangible, but may arise because the challenged use serves a public interest. In the case before us, Accolade’s identification of the functional requirements for Genesis compatibility has led to an increase in the number of independently designed video game programs offered for use with the Genesis console. It is precisely this growth in creative expression, based on the dissemination of other creative works and the unprotected ideas contained in those works, that the Copyright Act was intended to promote. The fact that Genesis-compatible video games are not scholarly works, but works offered for sale on the market, does not alter our judgment in this regard. We conclude that given the purpose and character of Accolade’s use of Sega’s video game programs, the presumption of unfairness has been overcome and the first statutory factor weighs in favor of Accolade...

[26] As applied, the fourth statutory factor, effect on the potential market for the copyrighted work, bears a close relationship to the “purpose and character” inquiry in that it, too, accommodates the distinction between the copying of works in order to make independent creative expression possible and the simple exploitation of another’s creative efforts. We must, of course, inquire whether, if the challenged use should become widespread, it would adversely affect the potential market for the copyrighted work by diminishing potential sales, interfering with marketability, or usurping the market. If the copying resulted in the latter effect, all other considerations might be irrelevant. The *Harper & Row* Court found a use that effectively usurped the market for the copyrighted work by supplanting that work to be dispositive. However, the same consequences do not and could not attach to a use which simply enables the copier to enter the market for works of the same type as the copied work.

[27] Unlike the defendant in *Harper & Row*, which printed excerpts from President Ford’s memoirs verbatim with the stated purpose of “scooping” a *Time* magazine review of the book, Accolade did not attempt to "scoop" Sega’s release of any particular game or games, but sought only to become a legitimate competitor in the field of Genesis-compatible video games. Within that market, it is the characteristics of the game
program as experienced by the user that determine the program's commercial success. As we have noted, there is nothing in the record that suggests that Accolade copied any of those elements.

[28] By facilitating the entry of a new competitor, the first lawful one that is not a Sega licensee, Accolade's disassembly of Sega's software undoubtedly "affected" the market for Genesis-compatible games in an indirect fashion. We note, however, that while no consumer except the most avid devotee of President Ford's regime might be expected to buy more than one version of the President's memoirs, video game users typically purchase more than one game. There is no basis for assuming that Accolade's "Ishido" has significantly affected the market for Sega's "Altered Beast", since a consumer might easily purchase both; nor does it seem unlikely that a consumer particularly interested in sports might purchase both Accolade's "Mike Ditka Power Football" and Sega's "Joe Montana Football", particularly if the games are, as Accolade contends, not substantially similar. In any event, an attempt to monopolize the market by making it impossible for others to compete runs counter to the statutory purpose of promoting creative expression and cannot constitute a strong equitable basis for resisting the invocation of the fair use doctrine. Thus, we conclude that the fourth statutory factor weighs in Accolade's, not Sega's, favor, notwithstanding the minor economic loss Sega may suffer....

[29] The second statutory factor, the nature of the copyrighted work, reflects the fact that not all copyrighted works are entitled to the same level of protection. The protection established by the Copyright Act for original works of authorship does not extend to the ideas underlying a work or to the functional or factual aspects of the work. To the extent that a work is functional or factual, it may be copied, Baker v. Selden, 101 U.S. 99, 102–04 (1879), as may those expressive elements of the work that "must necessarily be used as incident to" expression of the underlying ideas, functional concepts, or facts, id. at 104. Works of fiction receive greater protection than works that have strong factual elements, such as historical or biographical works, or works that have strong functional elements, such as accounting textbooks. Works that are merely compilations of fact are copyrightable, but the copyright in such a work is "thin."

[30] Computer programs pose unique problems for the application of the "idea/expression distinction" that determines the extent of copyright protection. To the extent that there are many possible ways of accomplishing a given task or fulfilling a particular market demand, the programmer's choice of program structure and design may be highly creative and idiosyncratic. However, computer programs are, in essence, utilitarian articles—articles that accomplish tasks. As such, they contain many logical, structural, and visual display elements that are dictated by the function to be performed, by considerations of efficiency, or by external factors such as compatibility requirements and industry demands. Computer Assoc. Int'l, Inc. v. Altai, Inc., 982 F.2d 693 (2d Cir. 1992). In some circumstances, even the exact set of commands used by the programmer is deemed functional rather than creative for purposes of copyright. When specific instructions, even though previously copyrighted, are the only and essential means of accomplishing a given task, their later use by another will not amount to infringement.

[31] Because of the hybrid nature of computer programs, there is no settled standard for identifying what is protected expression and what is unprotected idea in a case involving the alleged infringement of a copyright in computer software....

[32] Sega argues that even if many elements of its video game programs are properly characterized as functional and therefore not protected by copyright, Accolade copied protected expression. Sega is correct. The record makes clear that disassembly is wholesale copying. Because computer programs are also unique among copyrighted works in the form in which they are distributed for public use, however, Sega's observation does not bring us much closer to a resolution of the dispute.
Chapter VI – Fair Use

[33] The unprotected aspects of most functional works are readily accessible to the human eye. The systems described in accounting textbooks or the basic structural concepts embodied in architectural plans, to give two examples, can be easily copied without also copying any of the protected, expressive aspects of the original works. Computer programs, however, are typically distributed for public use in object code form, embedded in a silicon chip or on a floppy disk. For that reason, humans often cannot gain access to the unprotected ideas and functional concepts contained in object code without disassembling that code—i.e., making copies.⁸

[34] Sega argues that the record does not establish that disassembly of its object code is the only available method for gaining access to the interface specifications for the Genesis console, and the district court agreed. An independent examination of the record reveals that Sega misstates its contents, and demonstrates that the district court committed clear error in this respect.

[35] First, the record clearly establishes that humans cannot read object code…. Trained programmers can disassemble object code by hand. Because even a trained programmer cannot possibly remember the millions of zeros and ones that make up a program, however, he must make a written or computerized copy of the disassembled code in order to keep track of his work. The relevant fact for purposes of Sega's copyright infringement claim and Accolade’s fair use defense is that translation of a program from object code into source code cannot be accomplished without making copies of the code.

[36] Second, the record provides no support for a conclusion that a viable alternative to disassembly exists….

[37] In summary, the record clearly establishes that disassembly of the object code in Sega’s video game cartridges was necessary in order to understand the functional requirements for Genesis compatibility. The interface procedures for the Genesis console are distributed for public use only in object code form, and are not visible to the user during operation of the video game program. Because object code cannot be read by humans, it must be disassembled, either by hand or by machine. Disassembly of object code necessarily entails copying. Those facts dictate our analysis of the second statutory fair use factor. If disassembly of copyrighted object code is per se an unfair use, the owner of the copyright gains a de facto monopoly over the functional aspects of his work—aspects that were expressly denied copyright protection by Congress. In order to enjoy a lawful monopoly over the idea or functional principle underlying a work, the creator of the work must satisfy the more stringent standards imposed by the patent laws. Sega does not hold a patent on the Genesis console.

[38] Because Sega’s video game programs contain unprotected aspects that cannot be examined without copying, we afford them a lower degree of protection than more traditional literary works. In light of all the considerations discussed above, we conclude that the second statutory factor also weighs in favor of Accolade.⁹...

[39] As to the third statutory factor, Accolade disassembled entire programs written by Sega. Accordingly, the third factor weighs against Accolade. The fact that an entire work was copied does not, however, preclude a finding a fair use. In fact, where the ultimate (as opposed to direct) use is as limited as it was here, the factor is of very little weight...

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⁸ We do not intend to suggest that disassembly is always the only available means of access to those aspects of a computer program that are unprotected by copyright…. In many cases the operation of a program is directly reflected on the screen display and therefore visible to the human eye. In those cases, it is likely that a reverse engineer would not need to examine the code in order to understand what the program does.

⁹ Sega argues that its programs are unpublished works and that therefore, under Harper & Row, the second statutory factor weighs in its favor…. Computer game cartridges that are held out to the public for sale are published works for purposes of copyright....
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[40] In summary, careful analysis of the purpose and characteristics of Accolade's use of Sega's video game programs, the nature of the computer programs involved, and the nature of the market for video game cartridges yields the conclusion that the first, second, and fourth statutory fair use factors weigh in favor of Accolade, while only the third weighs in favor of Sega, and even then only slightly. Accordingly, Accolade clearly has by far the better case on the fair use issue....

NOTES

1. Was Sega able to show that Accolade's use caused (or could cause) a copyright-based effect on its market? How did that affect the court’s fair use analysis?

2. Which fair use factor, if any, was the most important to the court's conclusion? Why? Is your answer like or unlike your answer for previous cases?


4. In a subsequent case involving reverse engineering software for interoperability, Connectix Corporation had reverse engineered the interoperability specifications for the Sony PlayStation console to enable its games to be run on the Apple iMac computer platform instead of only through the PlayStation console attached to a television. Connectix created the Virtual Game Station, a PlayStation emulator for the iMac to emulate the PlayStation's hardware and software. Sony sued Connectix, claiming that when Connectix reverse engineered Sony’s PlayStation code during the course of creating the emulator, it infringed Sony’s copyright in the code. How is this set of facts and marketplace realities alike or different than in Sega? The Ninth Circuit concluded that Connectix’s intermediate copies of Sony’s copyrighted code that it made in the course of reverse engineering the PlayStation were protected by fair use. Sony Computer Entertainment, Inc. v. Connectix Corp., 203 F.3d 596 (9th Cir. 2000). In addition to following Sega's analysis, the Ninth Circuit observed that “Connectix's Virtual Game Station is modestly transformative. The product creates a new platform, the personal computer, on which consumers can play games designed for the Sony PlayStation. This innovation affords opportunities for game play in new environments, specifically anywhere a Sony PlayStation console and television are not available, but a computer with a CD-ROM drive is. More important, the Virtual Game Station itself is a wholly new product, notwithstanding the similarity of uses and functions between the Sony PlayStation and the Virtual Game Station.”

As you read the following case, consider whether the interoperability concerns at play here are similar or different than in Sega. If similar, why is the court's analysis different?

Oracle America, Inc., v. Google LLC
886 F.3d 1179 (Fed. Cir. 2018)

O'MALLEY, J.:

[1] This copyright case returns to us after a second jury trial, this one focusing on the defense of fair use. [Recall the facts in the earlier opinion in this case that you read in Chapter II.] ...
At the second jury trial, Google prevailed on its fair use defense. After the jury verdict, the district court denied Oracle's motion for judgment as a matter of law and entered final judgment in favor of Google.

Because we conclude that Google's use of the Java API packages was not fair as a matter of law, we reverse the district court's decisions denying Oracle's motions for JMOL and remand for a trial on damages.

After roughly one week of evidence and several days of deliberations, the jury found that Google's use of the declaring lines of code and the SSO ([structure, sequence, and organization]) of the 37 API packages constituted fair use.

Oracle moved for JMOL, which the district court denied. At the outset, the court noted that Oracle stipulated before the jury “that it was fair to use the 62 ‘necessary’ classes given that the Java programming language itself was free and open to use without a license.” “That the 62 ‘necessary’ classes reside without any identification as such within the Java API library (rather than reside within the programming language),” the court explained, “supports Google's contention that the Java API library is simply an extension of the programming language itself and helps explain why some view the Java API declarations as free and open for use as the programming language itself.” Because Android and Java both “presupposed the Java programming language in the first place,” the court noted that a jury reasonably could have found that it “was better for both to share the same SSO insofar as they offered the same functionalities, thus maintaining usage consistency across systems and avoiding cross-system confusion.”

The district court then considered each of the four statutory fair use factors. As to factor one—the purpose and character of the use—the court concluded that a reasonable jury could have found that, although Google's use was commercial, it was transformative because Google integrated only selected elements for mobile smartphones and added its own implementing code. With respect to factor two—the nature of the copyrighted work—the district court found that a reasonable jury could have concluded that, “while the declaring code and SSO were creative enough to qualify for copyright protection,” they were not “highly creative,” and that “functional considerations predominated in their design.”

As to factor three—the amount and substantiality of the portion used—the court concluded that a reasonable jury could have found that “Google copied only so much as was reasonably necessary for a transformative use,” and that the number of lines duplicated was minimal. Finally, as to factor four—market harm—the court concluded that the jury “could reasonably have found that use of the declaring lines of code (including their SSO) in Android caused no harm to the market for the copyrighted works, which were for desktop and laptop computers.” The court determined that, on the record presented, the jury could have found for either side and that the jury was “reasonably within the record in finding fair use.”

On appeal, Oracle argues that each of the four statutory factors weighs against a finding of fair use. Specifically, it submits that: (1) the purpose and character of Google's use was purely for commercial purposes; (2) the nature of Oracle's work is highly creative; (3) Google copied 11,330 more lines of code than necessary to write in a Java language-based program; and (4) Oracle's customers stopped licensing Java SE and switched to Android because Google provided free access to it.

**Factor 1: The Purpose and Character of the Use**

a. Commercial Use

Analysis of the first factor requires inquiry into the commercial nature of the use. Use of the copyrighted work that is commercial tends to weigh against a finding of fair use. Courts have recognized, however, that, since many, if not most, secondary users seek at least some measure of commercial gain from their use, unduly emphasizing the commercial motivation of a copier will lead to an overly restrictive view of fair use.
Accordingly, although the statute requires us to consider the “commercial nature” of the work, the degree to which the new user exploits the copyright for commercial gain—as opposed to incidental use as part of a commercial enterprise—affects the weight we afford commercial nature as a factor.

[10] It is undisputed that Google’s use of the declaring code and SSO from 37 Java API packages served commercial purposes. Although the jury was instructed that commercial use weighed against fair use, the district court explained that the jury “could reasonably have found that Google’s decision to make Android available open source and free for all to use had non-commercial purposes as well (such as the general interest in sharing software innovation).”

[11] On appeal, Oracle argues that Android is “hugely profitable” and that “Google reaps billions from exploiting Java in Android.” As such, Oracle maintains that no reasonable jury could have found Android anything but “overwhelmingly commercial.”

[12] Google responds that: (1) because it gives Android away for free under an open source license the jury could have concluded that Android has non-commercial purposes; and (2) the jury could have reasonably found that Google’s revenue flows from the advertisements on its search engine which preexisted Android. Neither argument has merit.

[13] First, the fact that Android is free of charge does not make Google’s use of the Java API packages noncommercial. Giving customers for free something they would ordinarily have to buy can constitute commercial use. A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1015 (9th Cir. 2001) (finding that “repeated and exploitative copying of copyrighted works, even if the copies are not offered for sale, may constitute a commercial use”). That Google might also have non-commercial motives is irrelevant as a matter of law. As the Supreme Court made clear when The Nation magazine published excerpts from Harper & Row’s book, partly for the purpose of providing the public newsworthy information, the question is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price. Second, although Google maintains that its revenue flows from advertisements, not from Android, commerciality does not depend on how Google earns its money. Indeed, “[d]irect economic benefit is not required to demonstrate a commercial use.” A&M Records, 239 F.3d at 1015.

We find, therefore, that, to the extent we must assume the jury found Google’s use of the API packages to be anything other than overwhelmingly commercial, that conclusion finds no substantial evidentiary support in the record. Accordingly, Google’s commercial use of the API packages weighs against a finding of fair use.

b. Transformative Use

[14] Although transformation is a key factor in fair use, whether a work is transformative is a often highly contentious topic. Indeed, a leading treatise on this topic has lamented the frequent misuse of the transformation test, complaining that it has become a conclusory label which is ‘all things to all people.’ MELVILLE B. NIMMER & DAVID NIMMER, 4 NIMMER ON COPYRIGHT § 13.05[A][1][b], 13168–70 (2011).

[15] To be transformative, a secondary work must either alter the original with new expression, meaning, or message or serve a new purpose distinct from that of the original work. Where the use is for the same intrinsic purpose as the copyright holder’s such use seriously weakens a claimed fair use...

[16] In denying JMOL, the district court explained that “of course, the copied declarations serve the same function in both works, for by definition, declaring code in the Java programming language serves the [same] specific definitional purposes.” The court concluded, however, that the jury could reasonably have found that Google’s selection of some, but not all, of the Java API packages—“with new implementing code adapted to the constrained operating environment of mobile smartphone devices,” together with new “methods, classes,
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and packages written by Google for the mobile smartphone platform”—constituted “a fresh context giving new expression, meaning, or message to the duplicated code.”

[17] On appeal, Oracle argues that Google’s use was not transformative because it did not alter the APIs with “new expression, meaning, or message.” Because Google concedes that it uses the API packages for the same purpose, Oracle maintains that it was unreasonable for either the jury or the court to find that Google sufficiently transformed the APIs to overcome its highly commercial use.

[18] Google responds that a reasonable jury could have concluded that Google used a small portion of the Java API packages to create a new work in a new context—“Android, a platform for smartphones, not desktops and servers.” Google argues that, although the declarations and SSO may perform the same functions in Android and Java, the jury could reasonably find that they have different purposes because the “point of Android was to create a groundbreaking platform for smartphones.”

[19] Google’s arguments are without merit. As explained below, Google’s use of the API packages is not transformative as a matter of law because: (1) it does not fit within the uses listed in the preamble to § 107; (2) the purpose of the API packages in Android is the same as the purpose of the packages in the Java platform; (3) Google made no alteration to the expressive content or message of the copyrighted material; and (4) smartphones were not a new context.

[20] First, though not dispositive, we turn to the examples given in the preamble to § 107, looking to whether the use is for criticism, or comment, or news reporting, and the like. Google’s use of the Java API packages does not fit within the statutory categories, and Google does not suggest otherwise....

[21] It is undisputed that the API packages serve the same function in both works.... The fact that Google created exact copies of the declaring code and SSO and used those copies for the same purpose as the original material seriously weakens the claimed fair use.

[22] Google argues that Android is transformative because Google selectively used the declarations and SSO of only 37 of the 166 Java SE API packages and wrote its own implementing code. But taking only select passages of a copyrighted work is, by itself, not transformative. While, as discussed below, the volume of work copied is relevant to the fair use inquiry generally, thought must be given to the quality and importance of the copied material, not just to its relative quantity vis-à-vis the overall work. To hold otherwise would mean that verbatim copying could qualify as fair use as long as the plagiarist stops short of taking the entire work. That approach is inconsistent with settled law and is particularly troubling where, as here, the portion copied is qualitatively significant.

[23] That Google wrote its own implementing code is irrelevant to the question of whether use of the APIs was transformative.... [N]o plagiarist can excuse the wrong by showing how much of his work he did not pirate. The relevant question is whether Google altered the expressive content or message of the original work that it copied—not whether it rewrote the portions it did not copy. That said, even where the allegedly infringing work makes few physical changes to the original or fails to comment on the original, it will typically be viewed as transformative as long as new expressive content or message is apparent. Here, however, there is no suggestion that the new implementing code somehow changed the expression or message of the declaring code. While Google’s use could have been transformative if it had copied the APIs for some other purpose—such as teaching how to design an API—merely copying the material and moving it from one platform to another without alteration is not transformative.

[24] Google’s primary argument on appeal is that Android is transformative because Google incorporated the declarations and SSO of the 37 API packages into a new context—smartphones. But the record showed that Java SE APIs were in smartphones before Android entered the market. Specifically, Oracle presented
evidence that Java SE was in SavaJe mobile phones and that Oracle licensed Java SE to other smartphone manufacturers, including Danger and Nokia. Because the Java SE was already being used in smartphones, Google did not “transform” the copyrighted material into a new context and no reasonable jury could conclude otherwise.

[25] In any event, moving material to a new context is not transformative in and of itself—even if it is a sharply different context. As previously explained, a use becomes transformative only if it serves a different purpose or alters the expression, meaning, or message of the original work. As such, courts have been reluctant to find fair use when an original work is merely retransmitted in a different medium. Accordingly, although a change of format may be useful, it is not technically a transformation...

[26] To some extent, any use of copyrighted work takes place in a slightly different context than the original. And of course, there is no bright line identifying when a use becomes transformative. But where, as here, the copying is verbatim, for an identical function and purpose, and there are no changes to the expressive content or message, a mere change in format (e.g., from desktop and laptop computers to smartphones and tablets) is insufficient as a matter of law to qualify as a transformative use....

[27] Ultimately, we find that ... the highly commercial and non-transformative nature of the use strongly support the conclusion that the first factor weighs against a finding of fair use.

Factor 2: Nature of the Copyrighted Work ...

[28] Here, the district court found that the jury could have concluded that the process of designing APIs was “highly creative” and “thus at the core of copyright’s protection” or it could “reasonably have gone the other way and concluded that the declaring code was not highly creative.” While the jury heard testimony from Google’s own expert that API design is “an art, not a science,” other witnesses emphasized the functional role of the declaring code and the SSO and minimized the creative aspects. Accordingly, the district court concluded that the “jury could reasonably have found that, while the declaring code and SSO were creative enough to qualify for copyright protection, functional considerations predominated in their design.”

[29] On appeal, Oracle emphasizes that designing the APIs was a highly creative process and that the organization of the packages was not mandated by function. Indeed, this court has already held that the declaring code and the SSO of the 37 API packages at issue were sufficiently creative and original to qualify for copyright protection. According to Oracle, the district court erred in assuming that, because the APIs have a “functional role,” they cannot be creative.

[30] As Google points out, however, all we found in the first appeal was that the declarations and SSO were sufficiently creative to provide the “minimal degree of creativity,” Feist Publ’ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 345 (1991), that is required for copyrightability. We also recognized that a reasonable jury could find that the functional aspects of the packages are relevant to Google’s fair use defense. On remand, Oracle stipulated that some of the declarations were necessary to use the Java language and presented no evidence explaining how the jury could distinguish the functionality and creativity of those declarations from the others. Google maintains that it presented evidence that the declarations and SSO were functional and the jury was entitled to credit that evidence.

[31] Although it is clear that the 37 API packages at issue involved some level of creativity—and no reasonable juror could disagree with that conclusion—reasonable jurors could have concluded that functional considerations were both substantial and important. Based on that assumed factual finding, we conclude that factor two favors a finding of fair use.
The Ninth Circuit has recognized, however, that this second factor typically has not been terribly significant in the overall fair use balancing. We note, moreover, that allowing this one factor to dictate a conclusion of fair use in all cases involving copying of software could effectively negate Congress’s express declaration—continuing unchanged for some forty years—that software is copyrightable. Accordingly, though the jury’s assumed view of the nature of the copyrighted work weighs in favor of finding fair use, it has less significance to the overall analysis.

Factor 3: Amount and Substantiality of the Portion Used ...

In assessing factor three, the district court explained that the “jury could reasonably have found that Google duplicated the bare minimum of the 37 API packages, just enough to preserve inter-system consistency in usage, namely the declarations and their SSO only, and did not copy any of the implementing code,” such that Google “copied only so much as was reasonably necessary.” In reaching this conclusion, the court noted that the jury could have found that the number of lines of code Google duplicated was a “tiny fraction of one percent of the copyrighted works (and even less of Android, for that matter).” We disagree that such a conclusion would have been reasonable or sufficient on this record.

On remand, the parties stipulated that only 170 lines of code were necessary to write in the Java language. It is undisputed, however, that Google copied 11,500 lines of code—11,330 more lines than necessary to write in Java. That Google copied more than necessary weighs against fair use. And, although Google emphasizes that it used a small percentage of Java (11,500 lines of declarations out of roughly 2.86 million lines of code in the Java SE libraries), it copied the SSO for the 37 API packages in its entirety.

The district court emphasized Google’s desire to “preserve inter-system consistency” to “avoid confusion among Java programmers as between the Java system and the Android system.” As we noted in the prior appeal, however, Google did not seek to foster any “inter-system consistency” between its platform and Oracle’s Java platform. And Google does not rely on any interoperability arguments in this appeal. Google sought “to capitalize on the fact that software developers were already trained and experienced in using the Java API packages at issue.” But there is no inherent right to copy in order to capitalize on the popularity of the copyrighted work or to meet the expectations of intended customers. Taking those aspects of the copyrighted material that were familiar to software developers to create a similar work designed to be popular with those same developers is not fair use.

Even assuming the jury accepted Google’s argument that it copied only a small portion of Java, no reasonable jury could conclude that what was copied was qualitatively insignificant, particularly when the material copied was important to the creation of the Android platform. Google conceded as much when it explained to the jury the importance of the APIs to the developers it wished to attract. Indeed, Google’s own expert conceded that “it was a sound business practice for Google to leverage the existing community of developers, minimizing the amount of new material and maximizing existing knowledge,” even though Google also conceded that it could have written the APIs differently to achieve the same functions. For these reasons, we find that the third factor is, at best, neutral in the fair use inquiry, and arguably weighs against such a finding.

In the prior appeal, we noted that “Google’s competitive desire to achieve commercial ‘interoperability’ ... may be relevant to a fair use analysis.” But ... Google has abandoned the arguments it once made about interoperability. This change in course is not surprising given the unrebutted evidence that Google specifically designed Android to be incompatible with the Java platform and not allow for interoperability with Java programs.
Factor 4: Effect Upon the Potential Market ...

[37] Here, the district court concluded that the jury “could reasonably have found that use of the declaring lines of code (including their SSO) in Android caused no harm to the market for the copyrighted works, which were for desktop and laptop computers.” In reaching this conclusion, the district court noted that, before Android was released, Sun made all of the Java API packages available for free and open source under the name OpenJDK, subject only to the terms of a general public license. According to the district court, the jury could have concluded that “Android’s impact on the market for the copyrighted works paralleled what Sun already expected via its OpenJDK.”

[38] On appeal, Oracle argues that the evidence of actual and potential harm stemming from Google’s copying was overwhelming, and that the district court erred as a matter of law in concluding otherwise. We agree.

[39] First, with respect to actual market harm, the evidence showed that Java SE had been used for years in mobile devices, including early smartphones, prior to Android’s release. Specifically, the jury heard testimony that Java SE was already in smartphones, including Blackberry, Savaje, Danger, and Nokia. That Android competed directly with Java SE in the market for mobile devices is sufficient to undercut Google’s market harm arguments. With respect to tablets, the evidence showed that Oracle licensed Java SE for the Amazon Kindle. After Android’s release, however, Amazon was faced with two competing options—Java SE and Android—and selected Android. The jury also heard evidence that Amazon later used the fact that Android was free to negotiate a steep discount to use Java SE in its newer e-reader. In other words, the record contained substantial evidence that Android was used as a substitute for Java SE and had a direct market impact. Given this evidence of actual market harm, no reasonable jury could have concluded that there was no market harm to Oracle from Google’s copying.

[40] Even if there were a dispute about whether Oracle was licensing Java SE in smartphones at the time Android launched, moreover, fair use focuses on potential, not just actual, market harm. Accordingly, although the district court focused exclusively on the market it found that Oracle had already entered—desktops and laptops—it should have considered how Google’s copying affected potential markets Oracle might enter or derivative works it might create or license others to create. Licensing Java SE for smartphones with increased processing capabilities was one such potential new market. And the fact that Oracle and Google engaged in lengthy licensing negotiations demonstrates that Oracle was attempting to license its work for mobile devices, including smartphones.14 Smartphones were, therefore, a traditional, reasonable, or likely to be developed market.

[41] Google argues that a reasonable jury could have concluded that Java SE and Android did not compete in the same market because Oracle: (1) was not a device maker; and (2) had not yet built its own smartphone platform. Neither argument has merit. That Oracle never built a smartphone device is irrelevant because potential markets include licensing others to develop derivative works. The fact that Oracle had not yet developed a smartphone platform is likewise irrelevant as a matter of law because, as Oracle submits, a market is a potential market even where the copyright owner has no immediate plans to enter it or is unsuccessful in doing so. Even assuming a reasonable jury could have found no current market harm, the undisputed evidence showed, at a minimum, that Oracle intended to license Java SE in smartphones; there was no evidence in the record to support any contrary conclusion. Because the law recognizes and protects a copyright owner’s right to enter a “potential market,” this fact alone is sufficient to establish market impact.

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14 Of course, the fact that those negotiations were not successful does not factor into the analysis. Such evidence was only relevant to show Oracle’s interest in the potential market for smartphones.
Chapter VI – Fair Use

[42] Given the record evidence of actual and potential harm, we conclude that unrestricted and widespread conduct of the sort engaged in by Google would result in a substantially adverse impact on the potential market for the original and its derivatives. Accordingly, the fourth factor weighs heavily in favor of Oracle.

Balancing the Four Factors

[43] ... We conclude that allowing Google to commercially exploit Oracle’s work will not advance the purposes of copyright in this case. Although Google could have furthered copyright’s goals of promoting creative expression and innovation by developing its own APIs, or by licensing Oracle’s APIs for use in developing a new platform, it chose to copy Oracle’s creative efforts instead. There is nothing fair about taking a copyrighted work verbatim and using it for the same purpose and function as the original in a competing platform.

[44] Even if we ignore the record evidence and assume that Oracle was not already licensing Java SE in the smartphone context, smartphones were undoubtedly a potential market. Android’s release effectively replaced Java SE as the supplier of Oracle’s copyrighted works and prevented Oracle from participating in developing markets. This superseding use is inherently unfair.

[45] On this record, factors one and four weigh heavily against a finding of fair use, while factor two weighs in favor of such a finding and factor three is, at best, neutral. Weighing these factors together, we conclude that Google’s use of the declaring code and SSO of the 37 API packages was not fair as a matter of law.

[46] We do not conclude that a fair use defense could never be sustained in an action involving the copying of computer code. Indeed, the Ninth Circuit has made it clear that some such uses can be fair. We hold that, given the facts relating to the copying at issue here—which differ materially from those at issue in ... Sega—Google’s copying and use of this particular code was not fair as a matter of law....

NOTE

1. In Oracle, the district court had asked a jury to rule on fair use. Is fair use an appropriate question to have a jury determine? Do you think a judge or jury is better equipped to assess fair use? The Supreme Court has stated that fair use is a mixed question of law and fact. Harper & Row, 471 U.S. at 560. Do you think the Federal Circuit was acting appropriately in overturning a jury verdict finding fair use?

As you read the following two decisions, consider how the courts understand transformativeness. Do they use the concept differently in the contexts at issue here than in previous cases?

Perfect 10, Inc. v. Amazon.com, Inc.
508 F.3d 1146 (9th Cir. 2007)

IKUTA, J.:

[Recall the facts in this case from when you read another excerpt of it earlier in studying the right of public display in Chapter V.] ...

[1] In this case, the district court determined that Google’s use of thumbnails was not a fair use ....
Google’s use of thumbnails is highly transformative. Although an image may have been created originally to serve an entertainment, aesthetic, or informative function, a search engine transforms the image into a pointer directing a user to a source of information. Just as a parody has an obvious claim to transformative value because it can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one, a search engine provides social benefit by incorporating an original work into a new work, namely, an electronic reference tool. Indeed, a search engine may be more transformative than a parody because a search engine provides an entirely new use for the original work, while a parody typically has the same entertainment purpose as the original work. In other words, a search engine puts images in a different context so that they are transformed into a new creation.

The fact that Google incorporates the entire Perfect 10 image into the search engine results does not diminish the transformative nature of Google’s use. As the district court correctly noted, even making an exact copy of a work may be transformative so long as the copy serves a different function than the original work.

In conducting our case-specific analysis of fair use in light of the purposes of copyright, we must weigh Google’s superseding and commercial uses of thumbnail images against Google’s significant transformative use, as well as the extent to which Google’s search engine promotes the purposes of copyright and serves the interests of the public. Although the district court acknowledged the “truism that search engines such as Google Image Search provide great value to the public,” the district court did not expressly consider whether this value outweighed the significance of Google’s superseding use or the commercial nature of Google’s use. The Supreme Court, however, has directed us to be mindful of the extent to which a use promotes the purposes of copyright and serves the interests of the public. See Campbell; Harper & Row; Sony.

We note that the superseding use in this case is not significant at present: the district court did not find that any downloads for mobile phone use had taken place [to show that Google’s use of thumbnails superseded Perfect 10’s right to sell its reduced-size images for use on cell phones]. Moreover, while Google’s use of thumbnails to direct users to AdSense partners containing infringing content adds a commercial dimension ..., the district court did not determine that this commercial element was significant. The district court stated that Google’s AdSense programs as a whole contributed “$630 million, or 46% of total revenues” to Google’s bottom line, but noted that this figure did not “break down the much smaller amount attributable to websites that contain infringing content.”

We conclude that the significantly transformative nature of Google’s search engine, particularly in light of its public benefit, outweighs Google’s superseding and commercial uses of the thumbnails in this case. In reaching this conclusion, we note the importance of analyzing fair use flexibly in light of new circumstances. We are also mindful of the Supreme Court’s direction that “the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.” Campbell, 510 U.S. at 579.

Accordingly, we disagree with the district court’s conclusion that because Google’s use of the thumbnails could supersede Perfect 10’s cell phone download use and because the use was ..., this fair use factor weighed “slightly” in favor of Perfect 10. Instead, we conclude that the transformative nature of Google’s use is more significant than any incidental superseding use or the minor commercial aspects of Google’s search engine and website. Therefore, this factor weighs heavily in favor of Google.

The nature of the copyrighted work....
Chapter VI – Fair Use

[10] Here, the district court found that Perfect 10’s images were creative but also previously published. Once Perfect 10 has exploited this commercially valuable right of first publication by putting its images on the Internet for paid subscribers, Perfect 10 is no longer entitled to the enhanced protection available for an unpublished work. Accordingly the district court did not err in holding that this factor weighed only slightly in favor of Perfect 10.

[11] The amount and substantiality of the portion used. ... [Google]'s use of the entire photographic image was reasonable in light of the purpose of a search engine. Specifically, ... it was necessary for [Google] 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 website. If [Google] only copied part of the image, it would be more difficult to identify it, thereby reducing the usefulness of the visual search engine. ... [T]he district court did not err in finding that this factor favored neither party.

[12] Effect of use on the market. ... The district court here ... [held] that Google’s use of thumbnails did not hurt Perfect 10’s market for full-size images. We agree.

[13] Perfect 10 argues that the district court erred because the likelihood of market harm may be presumed if the intended use of an image is for commercial gain. However, this presumption does not arise when a work is transformative because market substitution is at least less certain, and market harm may not be so readily inferred. As previously discussed, Google’s use of thumbnails for search engine purposes is highly transformative, and so market harm cannot be presumed.

[14] Perfect 10 also has a market for reduced-size images. ... The district court held that “Google’s use of thumbnails likely does harm the potential market for the downloading of [Perfect 10’s] reduced-size images onto cell phones.” The district court reasoned that persons who can obtain Perfect 10 images free of charge from Google are less likely to pay for a download, and the availability of Google’s thumbnail images would harm Perfect 10’s market for cell phone downloads. As we discussed above, the district court did not make a finding that Google users have downloaded thumbnail images for cell phone use. This potential harm to Perfect 10’s market remains hypothetical. We conclude that this factor favors neither party.

[15] Having undertaken a case-specific analysis of all four factors, we now weigh these factors together in light of the purposes of copyright. In this case, Google has put Perfect 10’s thumbnail images (along with millions of other thumbnail images) to a use fundamentally different than the use intended by Perfect 10. In doing so, Google has provided a significant benefit to the public. Weighing this significant transformative use against the unproven use of Google’s thumbnails for cell phone downloads, and considering the other fair use factors, all in light of the purpose of copyright, we conclude that Google’s use of Perfect 10’s thumbnails is a fair use.

The Authors Guild v. Google, Inc.
804 F.3d 202 (2d Cir. 2015)

LEVAL, J.: ...

[1] Google’s Library Project, which began in 2004, involves bi-lateral agreements between Google and a number of the world’s major research libraries. Under these agreements, the participating libraries select books from their collections to submit to Google for inclusion in the project. Google makes a digital scan of each book, extracts a machine-readable text, and creates an index of the machine-readable text of each book.
Google retains the original scanned image of each book, in part so as to improve the accuracy of the machine-readable texts and indices as image-to-text conversion technologies improve.

[2] Since 2004, Google has scanned, rendered machine-readable, and indexed more than 20 million books, including both copyrighted works and works in the public domain. The vast majority of the books are non-fiction, and most are out of print. All of the digital information created by Google in the process is stored on servers protected by the same security systems Google uses to shield its own confidential information.

[3] The digital corpus created by the scanning of these millions of books enables the Google Books search engine. Members of the public who access the Google Books website can enter search words or terms of their own choice, receiving in response a list of all books in the database in which those terms appear, as well as the number of times the term appears in each book. A brief description of each book, entitled "About the Book," gives some rudimentary additional information, including a list of the words and terms that appear with most frequency in the book. It sometimes provides links to buy the book online and identifies libraries where the book can be found. The search tool permits a researcher to identify those books, out of millions, that do, as well as those that do not, use the terms selected by the researcher. Google notes that this identifying information instantaneously supplied would otherwise not be obtainable in lifetimes of searching.

[4] No advertising is displayed to a user of the search function. Nor does Google receive payment by reason of the searcher’s use of Google’s link to purchase the book.

[5] The search engine also makes possible new forms of research, known as “text mining” and “data mining.” Google’s "ngrams” research tool draws on the Google Library Project corpus to furnish statistical information to Internet users about the frequency of word and phrase usage over centuries. This tool permits users to discern fluctuations of interest in a particular subject over time and space by showing increases and decreases in the frequency of reference and usage in different periods and different linguistic regions. It also allows researchers to comb over the tens of millions of books Google has scanned in order to examine word frequencies, syntactic patterns, and thematic markers and to derive information on how nomenclature, linguistic usage, and literary style have changed over time. The district court gave as an example “track[ing] the frequency of references to the United States as a single entity (‘the United States is’) versus references to the United States in the plural (‘the United States are’) and how that usage has changed over time.”

[6] The Google Books search function also allows the user a limited viewing of text. In addition to telling the number of times the word or term selected by the searcher appears in the book, the search function will display a maximum of three “snippets” containing it. A snippet is a horizontal segment comprising ordinarily an eighth of a page. Each page of a conventionally formatted book in the Google Books database is divided into eight non-overlapping horizontal segments, each such horizontal segment being a snippet. (Thus, for such a book with 24 lines to a page, each snippet is comprised of three lines of text.) Each search for a particular word or term within a book will reveal the same three snippets, regardless of the number of computers from which the search is launched. Only the first usage of the term on a given page is displayed. Thus, if the top snippet of a page contains two (or more) words for which the user searches, and Google’s program is fixed to reveal that particular snippet in response to a search for either term, the second search will duplicate the snippet already revealed by the first search, rather than moving to reveal a different snippet containing the word because the first snippet was already revealed. Google’s program does not allow a searcher to increase the number of snippets revealed by repeated entry of the same search term or by entering searches from different computers. A searcher can view more than three snippets of a book by entering additional searches for different terms. However, Google makes permanently unavailable for snippet view one snippet on each page and one complete page out of every ten—a process Google calls “blacklisting.”
Figure 107: Google Books overview

Figure 108: Google Books snippet view overview

[7] Google also disables snippet view entirely for types of books for which a single snippet is likely to satisfy the searcher’s present need for the book, such as dictionaries, cookbooks, and books of short poems. Finally,
since 2005, Google will exclude any book altogether from snippet view at the request of the rights holder by the submission of an online form....

[8] Plaintiffs brought this suit on September 20, 2005, as a putative class action on behalf of similarly situated, rights-owning authors. After several years of negotiation, the parties reached a proposed settlement that would have resolved the claims on a class-wide basis. The proposed settlement allowed Google to make substantially more extensive use of its scans of copyrighted books than contemplated under the present judgment, and provided that Google would make payments to the rights holders in return. On March 22, 2011, however, the district court rejected the proposed settlement as unfair to the class members who relied on the named plaintiffs to represent their interests.

[9] On October 14, 2011, Plaintiffs filed a fourth amended class action complaint, which is the operative complaint for this appeal. The district court certified a class on May 31, 2012. Google appealed from the certification, and moved in the district court for summary judgment on its fair use defense. Plaintiffs cross-moved in the district court for summary judgment. On the appeal from the class certification, our court—questioning whether it was reasonable to infer that the putative class of authors favored the relief sought by the named plaintiffs— provisionally vacated that class certification without addressing the merits of the issue, concluding instead that “resolution of Google’s fair use defense in the first instance will necessarily inform and perhaps moot our analysis of many class certification issues.”

[10] On November 14, 2013, the district court granted Google’s motion for summary judgment, concluding that the uses made by Google of copyrighted books were fair uses, protected by § 107. Upon consideration of the four statutory factors of § 107, the district court found that Google’s uses were transformative, that its display of copyrighted material was properly limited, and that the Google Books program did not impermissibly serve as a market substitute for the original works....

II. The Search and Snippet View Functions

A. Factor One

[11] (1) Transformative purpose. ... [T]ransformative uses tend to favor a fair use finding because a transformative use is one that communicates something new and different from the original or expands its utility, thus serving copyright’s overall objective of contributing to public knowledge.

[12] The word “transformative” cannot be taken too literally as a sufficient key to understanding the elements of fair use. It is rather a suggestive symbol for a complex thought, and does not mean that any and all changes made to an author’s original text will necessarily support a finding of fair use.... [T]he would-be fair user of another’s work must have justification for the taking. A secondary author is not necessarily at liberty to make wholesale takings of the original author’s expression merely because of how well the original author’s expression would convey the secondary author’s different message. Among the best recognized justifications for copying from another’s work is to provide comment on it or criticism of it. A taking from another author’s work for the purpose of making points that have no bearing on the original may well be fair use, but the taker would need to show a justification. This part of the Supreme Court’s discussion [in Campbell] is significant in assessing Google’s claim of fair use because, as discussed extensively below, Google’s claim of transformative purpose for copying from the works of others is to provide otherwise unavailable information about the originals.

[13] A further complication that can result from oversimplified reliance on whether the copying involves transformation is that the word “transform” also plays a role in defining “derivative works,” over which the original rights holder retains exclusive control. Section 106 of the Act specifies the “exclusive right[]” of the copyright owner “(2) to prepare derivative works based upon the copyrighted work.” The statute defines
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derivative works largely by example, rather than explanation. The examples include “translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, condensation,” to which list the statute adds “any other form in which a work may be ... transformed.” ... Paradigmatic examples of derivative works include the translation of a novel into another language, the adaptation of a novel into a movie or play, or the recasting of a novel as an e-book or an audiobook. While such changes can be described as transformations, they do not involve the kind of transformative purpose that favors a fair use finding. The statutory definition suggests that derivative works generally involve transformations in the nature of changes of form. 17 U.S.C. § 101. By contrast, copying from an original for the purpose of criticism or commentary on the original or provision of information about it, tends most clearly to satisfy Campbell’s notion of the “transformative” purpose involved in the analysis of Factor One.18

[14] With these considerations in mind, we first consider whether Google’s search and snippet views functions satisfy the first fair use factor with respect to Plaintiffs’ rights in their books....

[15] (2) Search Function. We have no difficulty concluding that Google’s making of a digital copy of Plaintiffs’ books for the purpose of enabling a search for identification of books containing a term of interest to the searcher involves a highly transformative purpose, in the sense intended by Campbell....

[16] ... [T]he purpose of Google’s copying of the original copyrighted books is to make available significant information about those books, permitting a searcher to identify those that contain a word or term of interest, as well as those that do not include reference to it. In addition, through the ngrams tool, Google allows readers to learn the frequency of usage of selected words in the aggregate corpus of published books in different historical periods. We have no doubt that the purpose of this copying is the sort of transformative purpose described in Campbell as strongly favoring satisfaction of the first factor....

[17] (3) Snippet View. ... [T]he Google Books search function allows searchers to read snippets from the book searched .... Snippet view adds important value to the basic transformative search function, which tells only whether and how often the searched term appears in the book. Merely knowing that a term of interest appears in a book does not necessarily tell the searcher whether she needs to obtain the book, because it does not reveal whether the term is discussed in a manner or context falling within the scope of the searcher’s interest. For example, a searcher seeking books that explore Einstein’s theories, who finds that a particular book includes 39 usages of “Einstein,” will nonetheless conclude she can skip that book if the snippets reveal...

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18 The Seventh Circuit takes the position that the kind of secondary use that favors satisfaction of the fair use test is better described as a “complementary” use, referring to how a hammer and nail complement one another in that together they achieve results that neither can accomplish on its own. Ty, Inc. v. Pub’ns Int’l, Ltd., 292 F.3d 512, 517–518 (7th Cir.2002). We do not find the term “complementary” particularly helpful in explaining fair use. The term would encompass changes of form that are generally understood to produce derivative works, rather than fair uses, and, at the same time, would fail to encompass copying for purposes that are generally and properly viewed as creating fair uses. When a novel is converted into film, for example, the original novel and the film ideally complement one another in that each contributes to achieving results that neither can accomplish on its own. The invention of the original author combines with the cinematographic interpretive skills of the filmmaker to produce something that neither could have produced independently. Nonetheless, at least when the intention of the film is to make a “motion picture version” of the novel without undertaking to parody it or to comment on it, the film is generally understood to be a derivative work, which under § 106, falls within the exclusive rights of the copyright owner. Although they complement one another, the film is not a fair use. At the same time, when a secondary work quotes an original for the purpose of parroting it, or discrediting it by exposing its inaccuracies, illogic, or dishonesty, such an undertaking is not within the exclusive prerogatives of the rights holder; it produces a fair use. Yet, when the purpose of the second is essentially to destroy the first, the two are not comfortably described as complementsaries that combine to produce something that neither could have produced independently of the other. We recognize, as just noted above, that the word “transformative,” if interpreted too broadly, can also seem to authorize copying that should fall within the scope of an author’s derivative rights. Attempts to find a circumspect shorthand for a complex concept are best understood as suggestive of a general direction, rather than as definitive descriptions.
that the book speaks of “Einstein” because that is the name of the author’s cat. In contrast, the snippet will
tell the searcher that this is a book she needs to obtain if the snippet shows that the author is engaging with
Einstein’s theories.

[18] Google’s division of the page into tiny snippets is designed to show the searcher just enough context
surrounding the searched term to help her evaluate whether the book falls within the scope of her interest
(without revealing so much as to threaten the author’s copyright interests). Snippet view thus adds
importantly to the highly transformative purpose of identifying books of interest to the searcher. With respect
to the first factor test, it favors a finding of fair use (unless the value of its transformative purpose is overcome
by its providing text in a manner that offers a competing substitute for Plaintiffs’ books, which we discuss
under factors three and four below).

[19] (4) Google’s Commercial Motivation. Plaintiffs also contend that Google’s commercial motivation weighs
in their favor under the first factor.... Although Google has no revenues flowing directly from its operation of
the Google Books functions, Plaintiffs stress that Google is profit-motivated and seeks to use its dominance of
book search to fortify its overall dominance of the Internet search market, and that thereby Google indirectly
reaps profits from the Google Books functions...

[20] Our court has ... repeatedly rejected the contention that commercial motivation should outweigh a
convincing transformative purpose and absence of significant substitutive competition with the original.

[21] While we recognize that in some circumstances, a commercial motivation on the part of the secondary
user will weigh against her, especially, as the Supreme Court suggested, when a persuasive transformative
purpose is lacking, we see no reason in this case why Google’s overall profit motivation should prevail as a
reason for denying fair use over its highly convincing transformative purpose, together with the absence of
significant substitutive competition, as reasons for granting fair use. Many of the most universally accepted
forms of fair use, such as news reporting and commentary, quotation in historical or analytic books, reviews of
books, and performances, as well as parody, are all normally done commercially for profit.

B. Factor Two

[22] The second fair use factor directs consideration of the “nature of the copyrighted work.” While the
“transformative purpose” inquiry discussed above is conventionally treated as a part of first factor analysis, it
inevitably involves the second factor as well. One cannot assess whether the copying work has an objective
that differs from the original without considering both works, and their respective objectives.

[23] The second factor has rarely played a significant role in the determination of a fair use dispute. The
Supreme Court in Harper & Row made a passing observation in dictum that, “[t]he law generally recognizes a
greater need to disseminate factual works than works of fiction or fantasy.” 471 U.S. 539, 563 (1985). Courts
have sometimes speculated that this might mean that a finding of fair use is more favored when the copying
is of factual works than when copying is from works of fiction. However, while the copyright does not protect
facts or ideas set forth in a work, it does protect that author’s manner of expressing those facts and ideas. At
least unless a persuasive fair use justification is involved, authors of factual works, like authors of fiction,
should be entitled to copyright protection of their protected expression. The mere fact that the original is a
factual work therefore should not imply that others may freely copy it. Those who report the news
undoubtedly create factual works. It cannot seriously be argued that, for that reason, others may freely copy
and re-disseminate news reports.\footnote{We think it unlikely that the Supreme Court meant in its concise dictum that secondary authors are at liberty to copy extensively from the protected expression of the original author merely because the material is factual. What the Harper &}
While each of the three Plaintiffs’ books in this case is factual, we do not consider that as a boost to Google’s claim of fair use. If one (or all) of the plaintiff works were fiction, we do not think that would change in any way our appraisal. Nothing in this case influences us one way or the other with respect to the second factor considered in isolation. To the extent that the “nature” of the original copyrighted work necessarily combines with the “purpose and character” of the secondary work to permit assessment of whether the secondary work uses the original in a “transformative” manner, as the term is used in *Campbell*, the second factor favors fair use not because Plaintiffs’ works are factual, but because the secondary use transformatively provides valuable information about the original, rather than replicating protected expression in a manner that provides a meaningful substitute for the original.

C. Factor Three

The third statutory factor instructs us to consider “the amount and substantiality of the portion used in relation to the copyrighted work as a whole.” The clear implication of the third factor is that a finding of fair use is more likely when small amounts, or less important passages, are copied than when the copying is extensive, or encompasses the most important parts of the original. The obvious reason for this lies in the relationship between the third and the fourth factors. The larger the amount, or the more important the part, of the original that is copied, the greater the likelihood that the secondary work might serve as an effectively competing substitute for the original, and might therefore diminish the original rights holder’s sales and profits.

(1) Search Function. The Google Books program has made a digital copy of the entirety of each of Plaintiffs’ books. Notwithstanding the reasonable implication of Factor Three that fair use is more likely to be favored by the copying of smaller, rather than larger, portions of the original, courts have rejected any categorical rule that a copying of the entirety cannot be a fair use. Complete unchanged copying has repeatedly been found justified as fair use when the copying was reasonably appropriate to achieve the copier’s transformative purpose and was done in such a manner that it did not offer a competing substitute for the original.

(2) Snippet View....

Without doubt, enabling searchers to see portions of the copied texts could have determinative effect on the fair use analysis. The larger the quantity of the copyrighted text the searcher can see and the more control the searcher can exercise over what part of the text she sees, the greater the likelihood that those revelations could serve her as an effective, free substitute for the purchase of the plaintiff’s book. We nonetheless

Row dictum may well have meant is that, because in the case of factual writings, there is often occasion to test the accuracy of, to rely on, or to repeat their factual propositions, and such testing and reliance may reasonably require quotation (lest a change of expression unwittingly alter the facts), factual works often present well justified fair uses, even if the mere fact that the work is factual does not necessarily justify copying of its protected expression.
conclude that, at least as presently structured by Google, the snippet view does not reveal matter that offers the marketplace a significantly competing substitute for the copyrighted work.

[31] Google has constructed the snippet feature in a manner that substantially protects against its serving as an effectively competing substitute for Plaintiffs’ books. In the Background section of this opinion, we describe a variety of limitations Google imposes on the snippet function. These include the small size of the snippets (normally one eighth of a page), the blacklisting of one snippet per page and of one page in every ten, the fact that no more than three snippets are shown—and no more than one per page—for each term searched, and the fact that the same snippets are shown for a searched term no matter how many times, or from how many different computers, the term is searched. In addition, Google does not provide snippet view for types of books, such as dictionaries and cookbooks, for which viewing a small segment is likely to satisfy the searcher’s need. The result of these restrictions is, so far as the record demonstrates, that a searcher cannot succeed, even after long extended effort to multiply what can be revealed, in revealing through a snippet search what could usefully serve as a competing substitute for the original.

[32] The blacklisting, which permanently blocks about 22% of a book’s text from snippet view, is by no means the most important of the obstacles Google has designed. While it is true that the blacklisting of 22% leaves 78% of a book theoretically accessible to a search, it does not follow that any large part of that 78% is in fact accessible. The other restrictions built into the program work together to ensure that, even after protracted effort over a substantial period of time, only small and randomly scattered portions of a book will be accessible. In an effort to show what large portions of text searchers can read through persistently augmented snippet searches, Plaintiffs’ counsel employed researchers over a period of weeks to do multiple word searches on Plaintiffs’ books. In no case were they able to access as much as 16% of the text, and the snippets collected were usually not sequential but scattered randomly throughout the book. Because Google’s snippets are arbitrarily and uniformly divided by lines of text, and not by complete sentences, paragraphs, or any measure dictated by content, a searcher would have great difficulty constructing a search so as to provide any extensive information about the book’s use of that term. As snippet view never reveals more than one snippet per page in response to repeated searches for the same term, it is at least difficult, and often impossible, for a searcher to gain access to more than a single snippet’s worth of an extended, continuous discussion of the term.

[33] The fact that Plaintiffs’ searchers managed to reveal nearly 16% of the text of Plaintiffs’ books overstates the degree to which snippet view can provide a meaningful substitute. At least as important as the percentage of words of a book that are revealed is the manner and order in which they are revealed. Even if the search function reveals a 100% of the words of the copyrighted book, this would be of little substitutive value if the words were revealed in alphabetical order, or any order other than the order they follow in the original book. It cannot be said that a revelation is “substantial” in the sense intended by the statute’s third factor if the revelation is in a form that communicates little of the sense of the original. The fragmentary and scattered nature of the snippets revealed, even after a determined, assiduous, time-consuming search, results in a revelation that is not “substantial,” even if it includes an aggregate 16% of the text of the book. If snippet view could be used to reveal a coherent block amounting to 16% of a book, that would raise a very different question beyond the scope of our inquiry.

D. Factor Four

[34] The fourth fair use factor, “the effect of the [copying] use upon the potential market for or value of the copyrighted work,” focuses on whether the copy brings to the marketplace a competing substitute for the original, or its derivative, so as to deprive the rights holder of significant revenues because of the likelihood that potential purchasers may opt to acquire the copy in preference to the original. Because copyright is a
commercial doctrine whose objective is to stimulate creativity among potential authors by enabling them to earn money from their creations, the fourth factor is of great importance in making a fair use assessment.

[35] *Campbell* stressed the close linkage between the first and fourth factors, in that the more the copying is done to achieve a purpose that differs from the purpose of the original, the less likely it is that the copy will serve as a satisfactory substitute for the original....

[36] However, *Campbell's* observation as to the likelihood of a secondary use serving as an effective substitute goes only so far. Even if the purpose of the copying is for a valuably transformative purpose, such copying might nonetheless harm the value of the copyrighted original if done in a manner that results in widespread revelation of sufficiently significant portions of the original as to make available a significantly competing substitute. The question for us is whether snippet view, notwithstanding its transformative purpose, does that. We conclude that, at least as snippet view is presently constructed, it does not.

[37] Especially in view of the fact that the normal purchase price of a book is relatively low in relation to the cost of manpower needed to secure an arbitrary assortment of randomly scattered snippets, we conclude that the snippet function does not give searchers access to effectively competing substitutes. Snippet view, at best and after a large commitment of manpower, produces discontinuous, tiny fragments, amounting in the aggregate to no more than 16% of a book. This does not threaten the rights holders with any significant harm to the value of their copyrights or diminish their harvest of copyright revenue.

[38] We recognize that the snippet function can cause some loss of sales. There are surely instances in which a searcher's need for access to a text will be satisfied by the snippet view, resulting in either the loss of a sale to that searcher, or reduction of demand on libraries for that title, which might have resulted in libraries purchasing additional copies. But the possibility, or even the probability or certainty, of some loss of sales does not suffice to make the copy an effectively competing substitute that would tilt the weighty fourth factor in favor of the rights holder in the original. There must be a meaningful or significant effect "upon the potential market for or value of the copyrighted work."

[39] Furthermore, the type of loss of sale envisioned above will generally occur in relation to interests that are not protected by the copyright. A snippet's capacity to satisfy a searcher's need for access to a copyrighted book will at times be because the snippet conveys a historical fact that the searcher needs to ascertain. For example, a student writing a paper on Franklin D. Roosevelt might need to learn the year Roosevelt was stricken with polio. By entering "Roosevelt polio" in a Google Books search, the student would be taken to (among numerous sites) a snippet from page 31 of Richard Thayer Goldberg's *The Making of Franklin D. Roosevelt* (1981), telling that the polio attack occurred in 1921. This would satisfy the searcher's need for the book, eliminating any need to purchase it or acquire it from a library. But what the searcher derived from the snippet was a historical fact. Author Goldberg's copyright does not extend to the facts communicated by his book. It protects only the author's manner of expression. Google would be entitled, without infringement of Goldberg's copyright, to answer the student's query about the year Roosevelt was afflicted, taking the information from Goldberg's book. The fact that, in the case of the student's snippet search, the information came embedded in three lines of Goldberg's writing, which were superfluous to the searcher's needs, would not change the taking of an unprotected fact into a copyright infringement.

[40] Even if the snippet reveals some authorial expression, because of the brevity of a single snippet and the cumbersome, disjointed, and incomplete nature of the aggregation of snippets made available through snippet view, we think it would be a rare case in which the searcher's interest in the protected aspect of the author's work would be satisfied by what is available from snippet view, and rarer still—because of the cumbersome, disjointed, and incomplete nature of the aggregation of snippets made available through snippet view—that snippet view could provide a significant substitute for the purchase of the author's book.
Accordingly, considering the four fair use factors in light of the goals of copyright, we conclude that Google’s making of a complete digital copy of Plaintiffs’ works for the purpose of providing the public with its search and snippet view functions (at least as snippet view is presently designed) is a fair use and does not infringe Plaintiffs’ copyrights in their books.

NOTES

1. In ruling on the applicability of the fair use defense to Napster’s music file-sharing software in a lawsuit brought by music copyright holders, the Ninth Circuit elaborated on how to think about analysis of the first statutory factor with regard to free music downloads through a service that was not charging users:

   A commercial use weighs against a finding of fair use but is not conclusive on the issue. The district court determined that Napster users engage in commercial use of the copyrighted materials largely because (1) “a host user sending a file cannot be said to engage in a personal use when distributing that file to an anonymous requester” and (2) “Napster users get for free something they would ordinarily have to buy.” The district court’s findings are not clearly erroneous.

   Direct economic benefit is not required to demonstrate a commercial use. Rather, repeated and exploitative copying of copyrighted works, even if the copies are not offered for sale, may constitute a commercial use. In the record before us, commercial use is demonstrated by a showing that repeated and exploitative unauthorized copies of copyrighted works were made to save the expense of purchasing authorized copies. Plaintiffs made such a showing before the district court.

   A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1015 (9th Cir. 2001). Do you think this reasoning is sensible? Consider its relevance to Perfect 10 and Authors Guild.

2. The Authors Guild also sued HathiTrust, a nonprofit consortium of 80 research universities also scanning research libraries’ books as full text and also as an image of each book page. The general public could search for particular terms across all digital copies, as shown in Figure 109.

   As shown in Figure 110, search results would show the page numbers matching the search term and how many matching terms there were per page. Unlike Google, HathiTrust did not provide snippets in its search results. That said, copyright holders could authorize broader use of their books in search results. Member libraries could also provide patrons with certified print disabilities access to the full text of copyrighted works. Additionally, members could create a replacement copy of a work if a member’s already-owned copy became lost, destroyed, or stolen, and a replacement were unobtainable at a fair price.

   The Second Circuit held HathiTrust’s full-text search, access to the print-disabled, and preservation uses were each fair use. Authors Guild, Inc. v. HathiTrust, 755 F.3d 87 (2d Cir. 2014). As to full-text search, the court’s reasoning was similar to the Second Circuit’s in the Google Books decision. Yet there were some differences because the search results offered by HathiTrust were different. As to the first statutory fair use factor, the court reasoned that “the result of a word search is different in purpose, character, expression, meaning, and message from the page (and the book) from which it is drawn.” As to the fourth factor, the court rejected the theory that a market might develop for licensing books for digital search:
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Figure 109: HathiTrust homepage

Figure 110: HathiTrust search results
The plaintiffs posit a “lost sale” theory which posits that a market for licensing books for digital search could possibly develop in the future, and [HathiTrust] impairs the emergence of such a market because it allows patrons to search books without any need for a license. Thus, according to the Authors, every copy employed by [HathiTrust] in generating full-text searches represents a lost opportunity to license the book for search.

This theory of market harm does not work under Factor Four, because the full-text search function does not serve as a substitute for the books that are being searched. Thus, it is irrelevant that the Libraries might be willing to purchase licenses in order to engage in this transformative use (if the use were deemed unfair). Lost licensing revenue counts under Factor Four only when the use serves as a substitute for the original and the full-text-search use does not.

3. Many had thought that Perfect 10 and the two Author’s Guild decisions meant that full copying of copyrighted works for searchable databases of them would now be fair use. The Second Circuit’s recent decision in Fox News Network, LLC v. TVEyes, Inc., 883 F.3d 169 (2d Cir. 2018), demonstrated the sensitivity of those earlier decisions to the facts of the particular case. In this case, as demonstrated by Figure 111, TVEyes “offers a service that enables its clients to easily locate and view segments of televised video programming that are responsive to the clients’ interests. It does so by continuously recording vast quantities of television programming, compiling the recorded broadcasts into a database that is text-searchable (based primarily on the closed-captioned text copied from the broadcasts), and allowing its clients to search for and watch (up to) ten-minute video clips that mention terms of interest to the clients.” Additionally, “[a] TVEyes client may archive videos permanently on the TVEyes servers and may download videos directly to the client’s computer. These services are useful because TVEyes otherwise deletes captured content after thirty-two days. Clients can also email the clips for viewing by others, including those who are not TVEyes clients. And clients can search for videos by date, time, and channel (rather than by keyword). The parties dispute whether clients can watch live broadcasts on TVEyes.” Clients include “journalists, government and political organizations, law enforcement, the military, for-profit companies, and non-profits.”

The Second Circuit ruled that TVEyes is not entitled to claim fair use. As to the first fair use factor, the Second Circuit used the Authors Guild cases and Sony to conclude that TVEyes’ use of copyrighted television content is transformative:

TVEyes’s copying of Fox’s content for use in the Watch function is similarly transformative insofar as it enables users to isolate, from an ocean of programming, material that is responsive to their interests and needs, and to access that material with targeted precision. It enables nearly instant access to a subset of material—and to information about the material—that would otherwise be irretrievable, or else retrievable only through prohibitively inconvenient or inefficient means....

The Watch function certainly qualifies as technology that achieves the transformative purpose of enhancing efficiency: it enables TVEyes’s clients to view all of the Fox programming that (over the prior thirty-two days) discussed a particular topic of interest to them, without having to monitor thirty-two days of programming in order to catch each relevant discussion; and it eliminates the clients’ need even to view entire programs, because the ten most relevant minutes are presented to them. Much like the television customer in Sony, TVEyes clients can view the Fox programming they want at a time and place that is convenient to them, rather than at the time and place of broadcast. For these reasons, TVEyes’s Watch function is at least somewhat transformative.
Although TVEyes’ use was commercial, the court thought that the first factor weighed slightly in favor of TVEyes. The court thought the second factor to be unimportant. Unlike the case on Google Books, the Second Circuit thought that the third factor weighed against TVEyes because “TVEyes makes available virtually the entirety of the Fox programming that TVEyes users want to see and hear.” It elaborated that “TVEyes redistributes Fox’s news programming in ten-minute clips, which—given the brevity of the average news segment on a particular topic—likely provide TVEyes’s users with all of the Fox programming that they seek and the entirety of the message conveyed by Fox to authorized viewers of the original. TVEyes’s use of Fox’s content is therefore both extensive and inclusive of all that is important from the copyrighted work.” The Second Circuit also thought that the fourth factor weighed against TVEyes:

*The success of the TVEyes business model demonstrates that deep-pocketed consumers are willing to pay well for a service that allows them to search for and view selected television clips, and that this market is worth millions of dollars in the aggregate. Consequently, there is a plausibly exploitable market for such access to televised content, and it is proper to consider whether TVEyes displaces potential Fox revenues when TVEyes allows its clients to watch Fox’s copyrighted content without Fox’s permission.*

Such displacement does occur. Since the ability to re-distribute Fox’s content in the manner that TVEyes does is clearly of value to TVEyes, it (or a similar service) should be willing to pay Fox for the right to offer the content. By providing Fox’s content to TVEyes clients without payment to Fox, TVEyes is in effect depriving Fox of licensing revenues from TVEyes or from similar entities. And Fox itself might wish to exploit the market for such a service rather than license it to others. TVEyes has thus usurped a market that properly belongs to the copyright-holder. It is of no moment that TVEyes allegedly approached Fox for a license but was rebuffed: the failure to strike a deal satisfactory to both parties does not give TVEyes the right to copy Fox’s copyrighted material without payment.
Are the Second Circuit’s analyses of the first and fourth factors reconcilable with prior cases you have read?

In a concurrence, Judge Kaplan cast doubt on the Second Circuit’s conclusion that TVEyes’ use was at all transformative:

*Even on the majority’s view that TVEyes’ Watch function substantially improves the efficiency with which TVEyes customers can access Fox copyrighted broadcasts of possible interest, it does no more than repackage and deliver the original works. It adds no new information, no new aesthetics, and no new insights or understandings. I therefore doubt that it is transformative.*

Does the majority or the concurrence have the better understanding of transformativeness?


Barton Beebe has comprehensively studied all reported federal court decisions on fair use under the 1976 Act. Among other things, Beebe shows that “the outcomes of factors one and four very strongly correlated with the test outcome and fairly strongly correlated with each other, while the outcome of factor two correlated weakly, if at all, with the outcome of the test and with the outcomes of the other factors.” *Barton Beebe, An Empirical Study of U.S. Copyright Fair Use Opinions, 1978-2005*, 156 U. PA. L. REV. 549, 584 (2008). Matthew Sag has also shown empirically how significant transformative use is in determining the outcome of fair use cases. *Matthew Sag, Predicting Fair Use*, 73 OHIO ST. L.J. 47 (2012).

5. Jason Mazzone proposes that an administrative body be empowered to help clarify fair use. He proposes “two possible models of agency regulation. In the first model, an agency is responsible for generating regulations that determine what constitutes fair use in specific contexts as well as preventing efforts to interfere with fair uses of copyrighted works. In the second model, an agency issues fair use regulations and determines prior to any copyright infringement claim being brought in court whether the use in question constitutes fair use. Agency regulation can bring much needed clarity and predictability to fair use in ways that neither Congress nor the courts are able to accomplish; an agency can also protect fair use in ways that the market does not.” *Jason Mazzone, Administering Fair Use*, 51 WM. & MARY L. REV. 395, 396 (2009). Do you agree with this approach? Is the sort of “fair use agency” that Mazzone proposes vulnerable to regulatory capture, that is to influence by industries that appear regularly before the agency and which may serve as a primary source of employment for officials who have left the agency?


*reforming fair use through the recognition of certain types of copying as per se fair. Uses that fall within these bounds would not give rise to liability for copyright infringement, so actors who engage in them would be categorically immune from suit. Carefully tailored, safe harbors would provide much needed certainty to users and potential creators without unduly compromising the rights of current copyright owners. Thus, the introduction of a bright-line rule component into the doctrine of fair use has the potential to significantly enhance social welfare.*
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7. Parchomovsky and Goldman’s approach is somewhat similar to that adopted in other countries, in which there is a list of exceptions to copyright infringement rather than a general standard like fair use. For example, the European Union’s 2019 Directive on Copyright in the Digital Single Market includes an exception from copyright infringement for text and data mining for purposes of scientific research. Article 3. As another illustration, the Directive exempts from infringement uses of copyrighted works for “digital and cross-border teaching activities.” Article 5.