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**PRETTY WOMAN MEETS THE MAN WHO WEARS THE STAR:
FAIR USE AFTER *CAMPBELL* v. *ACUFF-ROSE MUSIC* AND
AMERICAN GEOPHYSICAL UNION v. *TEXACO***

by ANNE E. FORKNER,* JAMES S. HELLER,** AND
PATRICK F. SPEICE***

Federal courts have long struggled interpreting fair use, and little changed after Congress codified the common law principle in the Copyright Act of 1976.¹ The United States Supreme Court's most recent attempt to clarify how courts should analyze section 107 of the Copyright Act occurred in 1994 in *Campbell v. Acuff-Rose Music*.² Soon after *Campbell*, the U.S. Court of Appeals for the Second Circuit decided *American Geophysical Union v. Texaco, Inc.*,³ holding that the systematic routing of journal issues to scientists in a private corporation, and the subsequent copying and archiving of articles by the scientists, was not a fair use. *Texaco*, and the dozen federal appeals court cases that have cited both it and *Campbell*, illustrate the difficulty many courts have interpreting and applying section 107 thirty years after passage of the Act. This article examines these decisions, shows how far copyright jurisprudence has strayed from the intent of the Framers of the U.S. Constitution when they crafted the Copyright Clause,⁴ and concludes with a recommendation to amend section 107 in order to have a more cohesive and balanced fair use jurisprudence.

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¹ 17 U.S.C. § 107 (2000).

² 510 U.S. 569 (1994).

³ 60 F.3d 913 (2d Cir. 1994).

⁴ U.S. CONST. art I, § 8, cl. 8.

I. THE HISTORY OF FAIR USE

The English Statute of Anne⁵ first codified in law the notion that the author of a creative work should enjoy a limited period of exclusive rights to that work — today known as copyright. The Statute's title states clearly the policy rationale behind it: "An Act for the Encouragement of Learning by Vesting the Copies of Printed Books in the Authors or Purchasers of such Copies, during the Times therein mentioned."⁶ Stated more explicitly, the Statute was "for the Encouragement of Learned Men to Compose and Write useful Books."⁷ Later in the eighteenth century, the Framers of the U.S. Constitution included a similar provision in the Copyright Clause of the U.S. Constitution, giving Congress the power "To promote the Progress of Science and useful Arts, by securing for limited Times, to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."⁸

The purposes of both the Statute of Anne and the Copyright Clause are similar: the creation and dissemination of knowledge.⁹ The Copyright Clause seeks to achieve this goal by granting a limited monopoly to individual authors such that an incentive exists for the authors to realize their full creative potential, without denying the public the benefit of these creative activities.¹⁰ In short, copyright is a "pragmatic measure by which society confers monopoly-exploitation benefits for a limited duration on

⁵ Statute of Anne, 1710, 8 Ann., c. 19 (Eng.).

⁶ *Id.* For a more thorough discussion of the origin of the Statute of Anne, see, e.g., L. RAY PATTERSON & STANLEY W. LINDBERG, *THE NATURE OF COPYRIGHT: A LAW OF USERS' RIGHTS* 27-31 (1991); Sharon Appel, *Copyright, Digitization of Images, and Art Museums: Cyberspace and Other New Frontiers Spring*, 6 UCLA ENT. L. REV. 149, 154-57 (1999); L. Ray Patterson, *Free Speech, Copyright, and Fair Use*, 40 VAND. L. REV. 1, 19-33 (1987).

⁷ Statute of Anne, 1710, 8 Ann., c. 19 (Eng.).

⁸ See U.S. CONST. art. 1, § 8, cl. 8; see also PATTERSON & LINDBERG, *supra* note 6, at 47-48.

⁹ See *supra* text accompanying notes 6-8; see also PATTERSON & LINDBERG, *supra* note 6, at 47-55 (discussing generally the policy rationale of the Copyright Clause).

¹⁰ For a survey of authorities that develop this idea, see *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 428-34 (1984) (discussing the Copyright Clause, early cases, and the legislative history of early copyright statutes in the United States), succinctly summarizing the purpose and underlying policy rationales of the Copyright Clause:

The monopoly 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.

authors and artists . . . in order to obtain for itself the intellectual and practical enrichment that results from creative endeavors.”¹¹ Accordingly, Congress should enact copyright laws that seek to create an optimal balance between the rights of creators on one hand, and on the other, the benefits to society from creative works.

Such a balance is not easy to establish, however. Congress should provide adequate incentives to authors, yet not stifle creativity or disable dissemination of a work, and consequently its benefits, to the public. Under the Copyright Clause, ensuring an economic benefit to authors is of secondary importance to the primary goal of benefiting the general public and society by ensuring progress, although offering economic incentives to authors is generally the best method of ensuring that creativity is maximized.¹²

Id. at 429. Furthermore, the Court in *Sony* highlighted the need to strike a balance between granting exclusive rights to authors and encouraging public dissemination of creative works — goals that are at once complementary and contradictory. *Id.* at 429 n.10, 429-32 (quoting H.R. REP. NO. 60-2222, at 7 (1909), and discussing a number of cases that articulate the purpose of copyright law).

The limited scope of the copyright holder’s statutory monopoly . . . reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of [works] The immediate effect of our copyright law is to secure a fair return for an “author’s” creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good. “The sole interest of the United States and the primary object in conferring the monopoly,” this Court has said, “lie in the general benefits derived by the public from the labors of authors.”

Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) (quoting *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932)). The dissent in *Sony* also agreed with this formulation of the underlying purpose of the Copyright Clause, providing one of the most concise statements on the tension created by the Copyright Clause’s authorization of limited monopolies: “The fair use doctrine must strike a balance between the dual risks created by the copyright system: on the one hand, that depriving authors of their monopoly will reduce their incentive to create, and, on the other, that granting authors a complete monopoly will reduce the creative ability of others.” *Sony*, 464 U.S. at 479 (Blackmun, J., dissenting).

¹¹ Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1086, 1109 (1990).

¹² See, e.g., *N.Y. Times Co., Inc. v. Tasini*, 533 U.S. 483, 519 (2001) (“The primary purpose of copyright is not to reward the author, but is rather to secure ‘the general benefits derived by the public from the labors of authors.’” (quoting 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 103[A] (2006) (quoting *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932))); *Twentieth Century Music Corp.*, 422 U.S. at 156; see also *United*

The primary limitation on the control over a work that the Framers intended to allow Congress to extend to authors under the Copyright Clause is the requirement that exclusive rights may only be granted for "limited Times."¹³ This temporal limitation ensured that the public will eventually gain access to copyrighted works, and it prompted authors to widely distribute their works to the public before the copyright term expires.¹⁴ The Statute of Anne also recognized the value of eventual public access. Although it was enacted for the purposes of preventing book piracy, the Statute limited the monopoly granted to authors to twenty-one years for existing works, and up to two fourteen-year terms for new books.¹⁵ This durational limit is an important limitation on the monopoly granted by Congress under the Copyright Clause, but Congress has been very generous to authors. It has expanded the term of copyright several times, and the Supreme Court has never disallowed Congress' actions in this respect.¹⁶

Even within the durational limitations required by the Constitution, the scope of copyright protection has never been absolute. Courts have invoked numerous prudential doctrines that limit the rights of a copyright holder.¹⁷ English courts recognized the fair use doctrine — the most significant limitation on a copyright owner's exclusive rights during the copyright's term — long before the Framers drafted the Copyright Clause. Under the Statute of Anne, English courts held that some secondary uses

States v. Paramount Pictures, 334 U.S. 131 (1948); *Feist Publ'ns v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991).

¹³ U.S. CONST. art. 1, § 8, cl. 8.

¹⁴ See PATTERSON & LINDBERG, *supra* note 6, at 52 (noting that "[copyright's] function was to encourage the author to distribute the works he or she created."). Because copyright terms are limited, authors will naturally attempt to reproduce and distribute their copyrighted work as widely as possible because once the term expires, terminating the monopoly that the author held over the work, others can reproduce the work and compete with the author for sales. This competition will reduce the amount of revenue that an author can generate from marketing his work in two ways: (1) the reproducer will capture a portion of the market for the work, and (2) direct competition reduces the price that may be charged for the work.

¹⁵ The Statute of Anne granted authors the exclusive rights to print or dispose of new works for a single fourteen-year term. If the author was still alive when that period expired, the Statute extended those rights for a second fourteen-year term. 8 Ann., c. 19 (1710) (Eng.).

¹⁶ See *Eldred v. Ashcroft*, 537 U.S. 186, 193-96 (2003) (surveying and discussing all historical expansions of the durational limit and upholding the most recent expansion).

¹⁷ See, e.g., Karen L. Still, Comment, *American Geophysical Union v. Texaco, Inc.: Expanding the Copyright Monopoly*, 29 GA. L. REV. 1233, 1240-41 (1995) (discussing court-established doctrines that limit the scope of the monopoly granted by copyright).

of copyrighted works could be considered “fair abridgements.”¹⁸ The Framers certainly contemplated similar limits on the rights of copyright holders. Because the Copyright Clause authorizes Congress to extend copyright protection “to promote the Progress of Science and useful Arts,” laws enacted for other purposes — including those that undermine such progress — should fall outside of what the Framers authorized Congress to legislate.¹⁹

United States courts have always recognized that copyright protection does not confer absolute rights on the holders of copyright, even during the terms authorized by Congress. Although the first two omnibus Copyright Acts passed in the United States in 1790 and 1909 contained no statutory fair use provisions,²⁰ courts consistently interpreted the statutes such that they did not extend to every secondary use of a protected work.²¹ Justice Story first explicitly infused the doctrine of fair use into U.S. common law in the 1841 case *Folsom v. Marsh*.²² Story’s opinion outlined several factors that the Court considered in making its determination that the secondary use was fair: “[I]n deciding questions of this sort, look to the nature and objects of the selections made, the quantity and value of 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.”²³

¹⁸ 1 WILLIAM F. PATRY, COPYRIGHT LAW AND PRACTICE 6-17 (1994).

¹⁹ See, e.g., *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994) (“The fair use doctrine . . . ‘permits [and requires] courts to avoid rigid application of the copyright statute when . . . it would stifle the very creativity which that law is designed to foster.’” (alteration in original) (emphasis added) (quoting *Stewart v. Abend*, 495 U.S. 207, 236 (1990))). Unfortunately, this is not always the case, such as when the Supreme Court upheld the 1998 Copyright Term Extension Act in *Eldred v. Ashcroft*, 537 U.S. 186 (2003).

²⁰ See Act of Mar. 4, 1909, ch. 320, 35 Stat. 1075 (repealed 1976); Act of May 31, 1790, ch. 15, 1 Stat. 124 (repealed 1909). Congress amended the 1790 Act in 1831 and 1870, expanding the types of materials that were eligible for copyright protection. See Act of Feb. 3, 1831, ch. 16, 4 Stat. 436 (amended 1870); Act of July 8, 1870, ch. 230, 85-111, 16 Stat. 198, 212-17 (repealed 1909).

²¹ See, e.g., Richard B. Graves III, *Private Rights, Public Uses, and the Future of the Copyright Clause*, 80 NEB. L. REV. 64, 95 (2001) (noting that courts applying the 1790 Copyright Act recognized the fair use doctrine).

²² 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4901).

²³ *Id.* at 348.

Other courts continued to apply this formulation of fair use²⁴ until Congress codified the doctrine in section 107 of the 1976 Copyright Act ("Act").²⁵

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.
- (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.²⁶

The legislative history of the Act makes clear that Congress merely intended to codify the common law doctrine of fair use that courts already employed.²⁷

²⁴ See, e.g., *Mathews Conveyer Co. v. Palmer-Bee Co.*, 15 F.2d 73, 84-85 (6th Cir. 1943); *Time, Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, 144-46 (S.D.N.Y. 1968); *Rosemont Enters., Inc. v. Random House, Inc.*, 256 F. Supp. 55, 63-64 (S.D.N.Y. 1966); *N.Y. Tribune, Inc. v. Otis & Co.*, 39 F. Supp. 67, 68 (S.D.N.Y. 1941).

²⁵ 17 U.S.C. § 107 (2000) (providing the fair use provisions of the 1976 Copyright Act). In addition to codifying the fair use doctrine, the 1976 Act also rearticulated the rights that attach to a copyright: to reproduce the work, to prepare derivative works, to distribute the work to the public, and to perform or display the work publicly. *Id.* § 106.

²⁶ *Id.* § 107. The last provision — that the unpublished nature of a work will not prevent it from being used "fairly" — was enacted in 1992 in response to the Second Circuit's decision in *Salinger v. Random House*, 811 F.2d 90 (2d Cir. 1987), holding that a biographer of author J.D. Salinger could not use Salinger's unpublished letters.

²⁷ See H.R. REP. NO. 94-1476, at 66 (1976); S. REP. NO. 94-473, at 62 (1975); H.R. REP. NO. 90-83, at 32 (1967) (explaining the House Committee's intention

The Supreme Court has interpreted the fair use provision of the 1976 Copyright Act several times since its enactment. In the Court's first look at the fair use doctrine following the passage of the 1976 Act, however, it quickly departed from the common law understanding of fair use. In *Sony Corp. of America v. Universal City Studios, Inc.*,²⁸ the Court wrote that "every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of copyright."²⁹ The *Sony* Court cited no authority for this statement, and its approach lasted only another decade, until *Campbell*.³⁰ In fact, the *Sony* Court acknowledged, in other parts of its decision, that the common law fair use doctrine explicitly rejected any "rigid, bright-line approach to fair use."³¹ The Court's announcement of a commercial presumption is even more curious because it cited the Conference Report from the 1976 Act, which pointed out that the commercial character of the work is "not conclusive," but rather one factor to be "weighed along with other[s] in fair use decisions."³²

Less than a year after deciding *Sony*, the Supreme Court revisited fair use in *Harper & Row Publishers, Inc. v. Nation Enterprises*.³³ The Court relied heavily on the commercial presumption that was articulated in *Sony*, finding that a magazine article that copied parts of a manuscript of

to "restate the [common law] judicial doctrine of fair use, not to change, narrow, or enlarge it in any way").

²⁸ 464 U.S. 417 (1984).

²⁹ *Id.* at 451.

³⁰ In 1994 the Supreme Court wrote:

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. Section 107(1) uses the term "including" to begin the dependent clause referring to commercial use, and the main clause speaks of a broader investigation into "purpose and character." As we explained in *Harper & Row*, Congress resisted attempts to narrow the ambit of this traditional enquiry by adopting categories of presumptively fair use, and it urged courts to preserve the breadth of their traditionally ample view of the universe of relevant evidence. . . . If indeed, commerciality carried presumptive force against a finding of fairness, the presumption would swallow nearly all of the illustrative uses listed in the preamble paragraph of § 107, including news reporting, comment, criticism, teaching, scholarship, and research, since these activities "are generally conducted for profit in this country." Congress could not have intended such a rule, which certainly is not inferable from the common-law cases

Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 584 (1994).

³¹ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 448 n.31 (1984).

³² *Id.* at 449 n.32 (quoting H.R. REP. NO. 94-1476, at 66 (1976)).

³³ 471 U.S. 539 (1985).

former President Gerald Ford's memoirs was not a fair use, in great part because *The Nation* scooped a shorter article that was to appear in *Time Magazine* that had been authorized by Harper & Row.³⁴ Here, the Court applied Sony's commercial presumption to facts where the secondary use involved copying only a small portion of the original work, incorporating it into an article with original text.³⁵ More seriously, the Court also weighed the fourth factor more heavily than the others, calling it "undoubtedly the single most important element of fair use."³⁶ Citing *Sony* and other cases, the Court wrote that the fourth factor weighed against a finding of fair use when the secondary use harmed the actual or potential markets for the original work — including the market for derivative works — if the allegedly infringing use were to become widespread.³⁷

In its 1994 decision *Campbell v. Acuff-Rose Music*,³⁸ the Supreme Court clarified how courts should examine section 107 fair use defenses. More specifically, *Campbell* examined whether the band 2 Live Crew's rap parody of Roy Orbison's *Oh, Pretty Woman* was a fair use. In its decision, which will be spelled out in greater detail throughout this article, the Court reviewed the history of fair use, and discussed extensively both *Sony* and *Harper & Row*.

Despite the *Campbell* Court's intent to clarify how courts should examine a claim of fair use, lower courts continue to struggle with questions of fair use. Especially troublesome is the fact that, more than a decade after *Campbell*, some courts persist in applying the commercial presumption from *Sony* and in giving the fourth factor more weight than the others (as was done in *Harper & Row*), despite *Campbell*'s rejection of both of these practices.³⁹ The recommendation in Section VII of this article to

³⁴ *Id.* at 562.

³⁵ *Id.* at 562-66. The 2,250-word infringing article copied only 300 words verbatim from the memoirs of former president Gerald Ford that totaled over 200,000 words. *Id.* at 542-45; see also 4 NIMMER & NIMMER, *supra* note 12, § 13.05[A][5] (discussing *Harper & Row*).

³⁶ 471 U.S. at 566.

³⁷ *Id.* at 568 (citing *Sony*, 464 U.S. at 451; *Iowa State Research Found., Inc. v. Am. Broad. Cos.*, 621 F.2d 57 (2d Cir. 1980); *Meeropol v. Nizer*, 560 F.2d 1061, 1070 (2d Cir. 1977); *Roy Export v. Columbia Broad., Inc.*, 503 F. Supp. 1137, 1146 (S.D.N.Y. 1980)).

³⁸ 510 U.S. 569 (1994).

³⁹ In *Sony Computer Entertainment, Inc. v. Connectix Corp.*, 203 F.3d 596 (9th Cir. 2000), the Ninth Circuit, reversing the district court, faulted it for applying "an erroneous legal standard" in its analysis of the first fair use factor. *Id.* at 606. The appeals court also found that the district court came to the wrong conclusion when it held that the fourth factor favored the plaintiff. *Id.* at 607. Two years earlier, a Ninth Circuit panel, citing *Sony*, wrote that "every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the

revise section 107 are based, in significant part, on the errors of these lower courts.

II. FAIR USE ANALYSIS IN *TEXACO* v. *AMERICAN GEOPHYSICAL UNION*

The anomalous results and inconsistent application of the statutory fair use factors by lower courts exposes the incoherence in federal courts' application of section 107. The Second Circuit's 1994 decision in *American Geophysical Union v. Texaco Inc.*⁴⁰ — which came right on the heels of *Campbell* — is particularly poignant. In *Texaco*, the Second Circuit upheld the district court's ruling that the copying and archiving of journal articles by scientists who worked for Texaco was not a fair use.⁴¹ The court's holding in favor of the plaintiff publisher is not as noteworthy as its reasoning. *Texaco*, and several other federal appeals court cases that have cited both it and *Campbell*, illustrate the difficulty many courts have interpreting and applying section 107, despite the Supreme Court's broad discussion of fair use in *Campbell*. The decisions also show how far copyright jurisprudence has strayed from its early roots.

copyright." *Micro Star v. Formgen, Inc.*, 154 F.3d 1107, 1113 (9th Cir. 1998). The *Connectix* court corrected that error in 2000, writing that "such a reading would be contrary to *Acuff-Rose*." 203 F.3d at 606 n.10. Also in 1998, the Ninth Circuit cited both *Sony* and *Harper & Row*: "While a commercial use does not by itself preclude a defense 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' [citations to *Sony* omitted] . . . Further, '[t]he crux of the profit/nonprofit distinction is . . . whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.'" [citations to *Harper & Row* omitted]. *L.A. News Serv. v. Reuters Television Int'l, Ltd.*, 149 F.3d 987, 994 (9th Cir. 1998). The court's statements were not corrected by later panels. In 2004, the Sixth Circuit vacated a preliminary injunction issued by the Eastern District of Kentucky in favor of the plaintiff for misapplying both the first and fourth fair use factors: "With respect to the first factor . . . it is true that a profit-making purpose generally militates against a finding of fair use. *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 585 (1994). But it is not the case that *any* profit-making purpose weighs against fair use . . ." *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 387 F.3d 522, 544 (6th Cir. 2004). As for the fourth factor, the appellate court wrote that the lower court "focused on the wrong market" in finding that this factor favored the plaintiff. *Id.* at 545. *See also* *Positive Software Solutions, Inc. v. New Century Mortgage Corp.*, 259 F. Supp. 2d 531, 536 n.9 (N.D. Tex. 2003).

⁴⁰ 60 F.3d 913 (2d Cir. 1994). The Second Circuit issued an initial opinion in *Texaco*, 37 F.3d 881 (2d Cir. 1994), which was subsequently amended when rehearing was denied. No. 92-9341, 1994 U.S. App. LEXIS 36735 (2d Cir. Dec. 23, 1994).

⁴¹ *See Am. Geophysical Union v. Texaco, Inc.*, 802 F. Supp. 1 (S.D.N.Y. 1992).

Texaco employed a number of scientists who conducted research and development of new products.⁴² To assist these scientists, the company subscribed to a number of scholarly scientific publications, which it maintained in an on-site library.⁴³ Many of these journals were circulated to Texaco's scientists to make them aware of new developments in the field.⁴⁴ A number of the scientists copied articles they thought might be relevant to their current or future research. Some filed these copies in their office — which the court referred to as “archiving” — and then passed the issues along to other Texaco scientists.⁴⁵

American Geophysical Union publishes scientific journals. It, along with eighty-two other publishers, sued Texaco for copyright infringement.⁴⁶ Because the litigation was clearly going to turn on whether Texaco's actions were a fair use, the parties agreed that an initial trial should occur on this issue, based on a written record.⁴⁷ To simplify the process of creating the record, the parties also agreed to choose one Texaco scientist to represent all Texaco scientists, and to look only at a few of the journal articles that he copied.⁴⁸ The scientist chosen was Dr. Donald H. Chickering, who had copied, and then filed away, eight different articles from the journal *Catalysis*.⁴⁹

The district court, in a comprehensive opinion written by Judge Pierre N. Leval who oversaw a bench trial, found that “Texaco's photocopying, as represented by Chickering's copying of these eight articles, was not fair use under section 107 of the Copyright Act.”⁵⁰ The district court looked to both the statutory fair use factors and “other equitable considerations.”⁵¹ Texaco appealed to the Second Circuit, which reviewed the district court's determination de novo because “fair use is a ‘mixed question of law and fact.’”⁵² The three-judge panel, with one judge dissenting, upheld the district court's decision.

The Second Circuit began its analysis of Chickering's conduct by briefly discussing the history of fair use, noting that Congress did not provide much guidance on how courts should apply the fair use doctrine when

⁴² *Texaco*, 60 F.3d at 915.

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ *See id.*

⁴⁶ *Id.* at 914-15.

⁴⁷ *Id.*

⁴⁸ *Id.* at 915.

⁴⁹ *Id.*

⁵⁰ *Id.* (discussing the district court's opinion). The district court's opinion is found at 802 F.2d 1 (S.D.N.Y. 1992).

⁵¹ *Id.*

⁵² *Id.* at 918 (quoting *Harper & Row, Publishers, Inc. v. Nation Enters.*, 417 U.S. 539, 560 (1985)).

photocopying is at issue.⁵³ It then turned to the four statutory fair use factors. In analyzing the first factor, the court agreed with the district court that Chickering's copying was commercial and nontransformative.⁵⁴ The court focused less than the district court did on the fact that Texaco was a for-profit corporation, citing *Campbell's* explicit rejection of the commercial presumption against fair use that emerged from *Sony*.⁵⁵ Although Chickering's research may have been used to develop new products that would benefit Texaco commercially, this tenuous connection provided only very weak evidence to tip this portion of the first factor analysis in favor of American Geophysical.⁵⁶ The majority also found that Texaco reaped indirect economic benefits from the photocopying by not paying royalties.⁵⁷

Regarding the transformative prong of the first fair use factor — the character of the use — the Second Circuit held that Chickering's copies were not transformative, notwithstanding Texaco's argument that copying the articles so as to make them easier to use in a laboratory constitutes a transformative use.⁵⁸ The court wrote "[i]n this case, the predominant archival purpose of the copying tips the first factor against the copier, despite the benefit of a more usable format."⁵⁹ Significantly, the majority rejected the arguments of the dissenting judge that Chickering's copies

⁵³ *Id.* at 917 ("Congress has thus far provided scant guidance for resolving fair use issues involving photocopying, legislating specifically only as to library copying, and providing indirect advice concerning classroom copying." (internal citation omitted)).

⁵⁴ *See id.* at 918-25 (analyzing Chickering's conduct, as it relates to the first factor).

⁵⁵ *Id.* at 921.

Indeed, *Campbell* warns against "elevating . . . to a per se rule" *Sony's* language about a presumption against fair use arising from commercial use. *Campbell* discards that language in favor of a more subtle, sophisticated approach, which recognizes 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." (internal citations omitted).

Id. The Second Circuit wanted to be clear on this point. After writing and publishing an initial opinion, *American Geophysical Union v. Texaco, Inc.*, 37 F.3d 881 (2d Cir. 1994), it amended the decision to add the foregoing language and to downplay the significance of the fourth factor in light of the Supreme Court decision in *Campbell*. The amended opinion, and the one cited in this article, is *American Geophysical Union v. Texaco, Inc.*, 60 F.3d 913 (2d Cir. 1994).

⁵⁶ *Texaco*, 60 F.3d at 922.

⁵⁷ *Id.*

⁵⁸ *Id.* at 923.

⁵⁹ *Id.* at 924.

were transformative because they were made in the course of his research.⁶⁰

The court distinguished Chickering's conduct from the enumerated uses in section 107, writing that "[t]he purposes illustrated by the categories listed in section 107 refer primarily to the work of authorship alleged to be a fair use, *not to the activity in which the alleged infringer is engaged*."⁶¹ Linking its analysis of the first factor to that of the fourth factor — and focusing on the fact that Texaco's scientists made copies of the articles and archived them, essentially creating personal libraries without paying for additional subscriptions or license fees for additional copies — the court held that the first factor weighed against a finding of fair use:

[T]he 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.⁶²

The Second Circuit only addressed the second factor (nature of the work) briefly, agreeing with the district court that it favored Texaco because the factual nature of the copied journal articles placed them outside of the core of what copyright seeks to protect.⁶³ The court also dealt with the third factor (amount and substantiality) quickly, finding that it weighed heavily against fair use because Chickering copied eight articles in their entirety.⁶⁴ Although Texaco argued that the eight articles were merely a fraction of the entire body of work published in *Catalysis*, the court correctly noted that each individual article "was separately authored and constitutes a discrete original work[] of authorship," and thus, each was protected by its own copyright.⁶⁵

The court's analysis of the fourth factor is the most troubling. The majority agreed with the district court that by photocopying the articles, Texaco denied publishers revenue that they were properly owed.⁶⁶ Because Chickering copied only selected individual articles from full issues of *Catalysis*, the court looked at both the negative effect of Chickering's con-

⁶⁰ *See id.*

⁶¹ *Id.* (emphasis added).

⁶² *Id.* at 924-25.

⁶³ *Id.* at 925.

⁶⁴ *Id.*

⁶⁵ *Id.* at 926 (quoting 17 U.S.C. § 102).

⁶⁶ *Id.* at 927.

duct on revenues generated by sales of subscriptions, back issues, and back volumes — what the court more than once called the “traditional market”⁶⁷ — and to the impact of the photocopying on revenue generated by sales of individual articles.⁶⁸ Concluding that Chickering’s copying individual articles only reduced the number of journal subscriptions by a few, and noting “the uncertain relationship between the market for journals and the market for and value of individual articles,” the majority wrote that “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.”⁶⁹

Although lost subscription sales only modestly harmed the plaintiffs, much more significant was the loss of licensing revenues, which, the court concluded, strongly militated against a finding of fair use.⁷⁰ The court noted that all copyright owners are “entitled to demand a royalty for licensing others to use [their] copyrighted work,”⁷¹ and so it looked to the effect of Chickering’s conduct on potential licensing revenue, tempered by the language from *Campbell* indicating that it could consider only lost licensing revenue from “traditional, reasonable, or likely to be developed markets.”⁷²

The majority wrote 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,”⁷³ and that the Copyright Clearance Center (CCC)⁷⁴ provided an established vehicle that allowed institutional users to obtain licenses for individual articles.⁷⁵ To buttress its analysis, the court cited evidence that Congress intended lost licensing revenue to be “legally recognized as part of the potential market for journal articles.”⁷⁶

⁶⁷ *Id.* at 927-28.

⁶⁸ *See id.* at 927.

⁶⁹ *Id.* at 929.

⁷⁰ *Id.* at 929-31.

⁷¹ *Id.* at 929.

⁷² *Id.* at 930 (citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 592 (1994)).

⁷³ *Id.* at 929-30.

⁷⁴ “The [Copyright Clearance Center, Inc.] 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.” *Id.* at 929 n.16. The district court described the CCC in great detail in its opinion. *See Am. Geophysical Union v. Texaco, Inc.*, 802 F. Supp. 1, 7-9 (S.D.N.Y. 1992).

⁷⁵ *Texaco*, 60 F.3d at 929 (describing the CCC as “a workable market for institutional users to obtain licenses for the right to produce their own copies of individual articles via photocopying.”).

⁷⁶ *Id.* at 931.

Judge Jacob's dissent challenged the majority on both the first and fourth factors. Regarding the first factor, Jacobs argued that Chickering's purpose in copying the journal articles was to provide himself with a useful, personal file of articles that assisted his research.⁷⁷ Even though Chickering did not use all of the articles, and even though he made exact copies of them, Jacobs found it important that Chickering did not archive the copies to resell them, but rather he kept these "functional counterpart[s] of notes" as one step in the research process.⁷⁸ Jacobs believed the first factor favored Texaco.

As for the fourth factor, Jacobs found entirely unconvincing the argument that the publisher lost subscription revenue because of Chickering's conduct. Noting that American Geophysical charged "double the normal subscription rate to institutional subscribers," Jacobs found that the publisher must have expected Texaco scientists to use the journals as they did, and that the publisher was compensated accordingly.⁷⁹ Moreover, Texaco's conduct only denied American Geophysical the revenue from a few subscriptions, and there was no identifiable loss of revenue from reduced sales of individual articles or back issues.⁸⁰

As for licensing revenues, Jacobs focused on the fact that the CCC had not matured into a viable system for charging institutional subscribers a fee to license individual articles.⁸¹ To Jacobs, this presumably removed the CCC from the realm of "traditional markets" to which *Campbell* permits courts to look in determining whether a defendant improperly denied licensing revenue to a plaintiff. But the greatest flaw of the majority decision, according to Jacobs, was the circular reasoning of the fourth factor/licensing position. This issue will be dealt with in section IV of this article.

By holding that the CCC created a feasible method for obtaining licenses to individual journal articles, the Second Circuit has made it difficult for a secondary user to win the fourth factor; a plaintiff will always be able to prove that the defendant could have paid a licensing fee, and thus, the plaintiff lost potential revenue in the market for the copyrighted work. Following the decision, some feared that it would set a precedent for subsequent lawsuits involving copying journal articles — this time in the non-profit environment. But more than a decade later, that fear has been unrealized; nearly all lawsuits have involved the private sector.⁸²

⁷⁷ *Id.* at 932-33 (Jacobs, J., dissenting).

⁷⁸ *Id.* at 935 (Jacobs, J., dissenting).

⁷⁹ *Id.* at 936 (Jacobs, J., dissenting).

⁸⁰ *Id.* (Jacobs, J., dissenting).

⁸¹ *Id.* at 937-38 (Jacobs, J., dissenting).

⁸² This is not to say that the Copyright Clearance Center or its occasional partner in litigation, the Association of American Publishers, have been quiet. Several suits were filed against copyshops (see, e.g., *CCC Settles One Suit, Files*

III. FAIR USE ANALYSIS IN CIRCUIT COURT DECISIONS CITING CAMPBELL AND TEXACO

Concern over *Texaco*'s precedent led the authors to examine the dozen federal appellate court cases that have cited both *Texaco* and *Campbell* (*Campbell* because of its significance in clarifying — or supposedly clarifying — how courts should examine section 107) since these two cases were decided in 1994. Deconstructing the factors that courts use in determining whether a use is fair, we try to see if there is common ground in those decisions such that one may predict, based on a court's findings, whether certain uses are fair, or instead, infringing.

Our findings revealed how dysfunctionally section 107 is applied in today's courts. Many courts appear not to understand the Supreme Court's language in *Campbell* on how to analyze fair use. And as some judges are wont to do, they pick and choose statements from earlier court decisions that support their position, ignoring those that do not.

The following three tables present the results that various courts reached in each case that informed the development of this article's proposal to amend the existing fair use statute. Table 1 presents the Supreme Court's conclusions in *Campbell* and *Texaco*. The other two tables show the conclusions of federal appellate courts in every case from 1994 through 2006 that cites both *Campbell* and *Texaco*.

Table 2 presents the results in the six cases in which the courts found that the secondary users conduct was not fair use, while Table 3 presents the results of the six cases where the courts found a fair use. The left-hand column of each table lists the six factors to which courts look when making a fair use determination under the existing fair use statute — including whether the secondary use is a use enumerated in the preamble to section 107 — and the court's holding. The first factor, § 107(a), is split into its two components — the purpose and character of the use. The purpose of the use examines whether the use was non-profit, commercial, or something in between. The character of the use examines whether the use was transformative. The cases are listed in the top row of each table, and each cell indicates whether the court decided for the plaintiff or defendant regarding a particular factor in a particular case. When a court's conclusion

Another, PUBLISHERS WKLY., July 14, 2003, at 12; *CCC Wins Copy Shop Settlements*, PUBLISHERS WKLY., Nov. 17, 2003, at 16). Several were also against law firms: In December 2004, the CCC settled an infringement suit it initiated against Squire Sanders & Dempsey (*CCC Settles with Law Firm*, PUBLISHERS WKLY., Dec. 13, 2004, at 17); Collier, Shannon & Scott: (*When a Firm Tries to Cut Corners, It is Caught in Copyright Embarrassment*, N.Y. TIMES, Dec. 6, 1991, at B7); and in 1999 the CCC settled its suit against LeBoeuf, Lamb, Greene & MacRae (*Settlement Reinforces Issue of Copyright Protection*, 3 PROF. PUB. REP. (Mar. 26, 1999).

was ambiguous or noteworthy, additional information is provided. The remainder of the article will flesh out these tables, discussing how the courts arrived at their findings for each fair use factor, and their holdings.

Table 1: Findings in *Campbell* and *Texaco*

	<i>Campbell v. Acuff-Rose</i> ⁸³	<i>American Geophysical Union v. Texaco</i> ⁸⁴
Enumerated Use	Yes ⁸⁵	No
Purpose of the Use	For Plaintiff	Neutral
Character of the Use	For Defendant	For Plaintiff
Nature of the Work	For Plaintiff	For Defendant
Amount and Substantiality	For Defendant	For Plaintiff
Market Effect	For Defendant	For Plaintiff
Outcome	For Defendant	For Plaintiff

Table 2: Cases Holding for the Plaintiff

	<i>On Davis v. The Gap</i> ⁸⁶	<i>A&M v. Napster</i> ⁸⁷	<i>Infinity v. Kirkwood</i> ⁸⁸	<i>Castle Rock v. Carol</i> ⁸⁹	<i>Ringgold v. BET</i> ⁹⁰	<i>Princeton v. MDS</i> ⁹¹
Enumerated Use	No	No	No	No	No	No
Purpose of the Use	Plaintiff	Plaintiff	Plaintiff	Plaintiff	Plaintiff	Plaintiff
Character of the Use	Plaintiff	Plaintiff	Plaintiff	Plaintiff	Plaintiff	Plaintiff
Nature of the Work	Plaintiff	Plaintiff	Plaintiff	Plaintiff	Plaintiff	Plaintiff
Amount and Substantiality	Plaintiff	Plaintiff	Plaintiff	Plaintiff	Defendant	Plaintiff
Market Effect	Plaintiff	Plaintiff	Plaintiff ⁹²	Plaintiff	Plaintiff	Plaintiff
Outcome	Plaintiff	Plaintiff	Plaintiff	Plaintiff	Plaintiff	Plaintiff

⁸³ *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).

⁸⁴ *Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913 (2d Cir. 1994).

⁸⁵ The Court concluded that the parody challenged in *Campbell* was similar to criticism and commentary, which are enumerated uses.

⁸⁶ *On Davis v. The Gap, Inc.*, 246 F.3d 152 (2d Cir. 2001).

⁸⁷ *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001).

⁸⁸ *Infinity Broadcast Corp. v. Kirkwood*, 150 F.3d 104 (2d Cir. 1998).

⁸⁹ *Castle Rock Entm't Group, Inc. v. Carol Publ'g Group, Inc.*, 150 F.3d 132 (2d Cir. 1998).

⁹⁰ *Ringgold v. Black Entm't Television, Inc.*, 126 F.3d 70 (2d Cir. 1997).

⁹¹ *Princeton Univ. Press v. Michigan Document Servs.*, 99 F.3d 1381 (6th Cir. 1996).

⁹² The court held that this factor only favored the plaintiff slightly.

Table 3: Cases Holding for the Defendant

	<i>NXIVM v. Ross Inst.</i> ⁹³	<i>Nunez v. CINC</i> ⁹⁴	<i>Sony v. Connectix</i> ⁹⁵	<i>Leibovitz v. Paramount</i> ⁹⁶	<i>Sundeman v. Seajay</i> ⁹⁷	<i>B. Graham v. DK</i> ⁹⁸
Enumerated Use	Yes	Yes	No	No ⁹⁹	Yes	Not addressed
Purpose of the Use	Plaintiff ¹⁰⁰	Defendant	Defendant	Plaintiff	Defendant	Defendant
Character of the Use	Defendant	Defendant or / Neutral ¹⁰¹	Defendant	Defendant	Defendant	Defendant
Nature of the Work	Plaintiff	Defendant	Defendant	Plaintiff	Plaintiff	Plaintiff ¹⁰²
Amount and Substantiality	Neutral	Neutral	Plaintiff	Neutral	Defendant	Neutral
Market Effect	Defendant	Defendant	Defendant	Defendant	Defendant	Defendant
Outcome	Defendant	Defendant	Defendant	Defendant	Defendant	Defendant

IV. LICENSING AND THE "CIRCULARITY" PROBLEM IN CURRENT FAIR USE ANALYSIS

Texaco's most troubling aspect arises from what dissenting Judge Jacobs called the "circularity of the problem" — that the fourth factor's analysis on the impact on potential licensing revenues for traditional, reasonable, or likely to be developed markets for licensing that the majority protected "will not crystallize unless courts reject the fair use argument."¹⁰³ In other words, the Second Circuit's ruling that the loss of po-

⁹³ *NXIVM Corp. v. Ross Inst.*, 364 F.3d 471, 482 (2d Cir. 2004).

⁹⁴ *Nunez v. Caribbean Int'l News Corp.*, 235 F.3d 18 (1st Cir. 2000).

⁹⁵ *Sony Computer Entm't, Inc. v. Connectix Corp.*, 203 F.3d 596 (9th Cir. 2000).

⁹⁶ *Leibovitz v. Paramount Pictures Corp.*, 137 F.3d 109 (2d Cir. 1998).

⁹⁷ *Sundeman v. Seajay Soc'y, Inc.*, 142 F.3d 194 (4th Cir. 1998).

⁹⁸ *Bill Graham Entm't v. Dorling Kinserley, Ltd.*, 448 F.3d 604 (2d Cir. 2006).

⁹⁹ Unlike in *Campbell*, the parody at issue in *Leibovitz* was not considered an enumerated use.

¹⁰⁰ The Second Circuit ruled that the purpose of the use factor favored the plaintiff in *NXIVM* because the copy had been obtained through the bad faith actions of the defendant.

¹⁰¹ The First Circuit's discussion of the first factor included good faith and public policy considerations related to news reporting, not just a traditional analysis of whether the copy was transformative.

¹⁰² The Court found that Grateful Dead posters that were copied were creative, but gave this factor limited weight because the defendant's purpose was to highlight the images' historical, rather than creative, value.

¹⁰³ *Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 937 (2d Cir. 1994) (Jacobs, J., dissenting).

tential licensing fees tipped the fourth factor for the plaintiffs was a self-fulfilling prophecy.

This approach poses the danger that only uses which courts already have determined to be fair uses under section 107 will be protected in future cases. For example, the Supreme Court protected 2 Live Crew's parody in *Campbell*, primarily because a parody is not a market substitute under the fourth factor.¹⁰⁴ Had the Copyright Clearance Center or an organization like the CCC licensed parodies before the case was decided, *Campbell* may very well have come out differently. But post-*Campbell*, there is no CCC-like organization that licenses parodies, and no parody would be considered a market substitute for the license that such an entity — were it to exist — would provide.

Suppose, however, that the Supreme Court had not heard *Campbell*, and there were no decisions whether a parody was a market substitute for the original work. The *Campbell* Court reasoned that an original work and a parody of that work serve different market functions;¹⁰⁵ a parody, pure and simple, does not serve as the type of market substitute for the original work about which the fourth factor inquires.¹⁰⁶ Indeed, "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."¹⁰⁷

However, if a court using *Texaco's* licensing analysis examined a parody in the absence of the *Campbell* decision, that court could find, because artists license their work for all sorts of uses, a potential market does exist for parodies. That Weird Al Yankovic, a well-known parodist of hit songs, gets permission from the artists he parodies provides evidence of such a market.¹⁰⁸ Absent *Campbell*, a court could use the rationale of *Texaco* and hold that because some artists pay licensing fees, parodies are indeed a market substitute for a potential licensing market.¹⁰⁹ Nothing inherent

¹⁰⁴ *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 592 (1994).

¹⁰⁵ *Id.* at 591.

¹⁰⁶ *Id.*

¹⁰⁷ *Id.* at 592.

¹⁰⁸ "Al does get permission from the original writers of the songs that he parodies. While the law supports his ability to parody without permission, he feels it's important to maintain the relationships that he's built with artists and writers over the years." "Weird Al" Yankovic: Frequently Asked Questions, <http://www.weirdal.com/faq.htm> (last visited Mar. 12, 2007).

¹⁰⁹ The *Campbell* Court wrote that "[t]his 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 or original works would in general develop or license others to develop." *Campbell*, 510 U.S. at 592.

in fair use jurisprudence separates parodies from other uses.¹¹⁰ Only parodies' current status as "fair" protects those who create them from *Texaco's* circular licensing analysis — an artist who *can* pay *must* pay.¹¹¹ The risk, of course, is that uses that courts have not explicitly found to be fair will require payment of royalties once someone starts to license them.

If a use is fair, permission is not needed.¹¹² Nor should a court take into consideration the fact that a copyright owner refused to grant permission to use a work after receiving such a request,¹¹³ as happened in *Campbell* where Acuff-Rose Music denied 2 Live Crew's offer to pay a fee for making a parody of *Oh Pretty Woman*.¹¹⁴ The fact that a particular copyright owner refuses permission does not preclude use of the work if the use is otherwise fair, as in *Campbell*. Nor is a market for a work created simply because a copyright owner denies permission.

Under current fair use analysis, courts look to whether a market exists in which a copyright owner might license a work — a much broader inquiry than whether a specific plaintiff actually *did* license the work. Beyond that, courts also may consider whether a market for the work *might* exist. A comparison of the language the Supreme Court used in *Campbell* and what the Second Circuit used in *Texaco* reveals some ambiguity as to what courts should examine.

In *Campbell*, the Supreme Court wrote that "[t]he market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop."¹¹⁵ But in *Texaco*, the Second Circuit — referring to *Campbell* as authority — changed the language somewhat, writing that "courts have recognized limits on the

¹¹⁰ "Like a book review quoting from the copyrighted material criticized, parody may or may not be a 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. . . . 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 copyright law. *Campbell*, 510 U.S. at 581.

¹¹¹ One court's parody may be another's satire. See, e.g., *Dr. Seuss Enters. v. Penguin Books*, 109 F.3d 1394 (9th Cir. 1997), where the Ninth Circuit, citing *Campbell*, found that *The Cat Not in the Hat! A Parody by Dr. Juice* was a satire rather than a parody, notwithstanding the book's title.

¹¹² "If the use is otherwise fair, then no permission need be sought or granted." *Campbell*, 510 U.S. at 585 n.18.

¹¹³ "[W]e reject Acuff Rose's argument that 2 Live Crew's request for permission to use the original should be weighed against a finding of fair use. Even if good faith were central to fair use, 2 Live Crew's actions do not necessarily suggest that they believed their version was not fair use; the offer may simply have been made in a good faith effort to avoid this litigation." *Id.*

¹¹⁴ *Id.* at 572-73.

¹¹⁵ *Id.* at 592.

concept of 'potential licensing revenues' by considering only revenues for traditional, reasonable, or likely to be developed markets when examining and assessing a secondary user's 'effect upon the potential market for or value of the copyrighted work.'"¹¹⁶ Federal district and appellate courts have used language from *Campbell* and *Texaco* equally.¹¹⁷ In either case, that a court may find that a market exists — even though the plaintiff in the case failed to exploit that market — certainly lessens the chance that a use will be considered fair.¹¹⁸ Although several of the cases analyzed in this article look primarily at whether the plaintiff previously had licensed a work, under the circular licensing analysis, once *any* copyright owner licenses a particular use, a licensing market exists.

Once a court finds that a particular use usurps a licensing market, anyone who wants to use the work must ask, and probably pay, for the privilege to use it. If the market is a mere *potential* market, rather than an existing one, a ruling in favor of the plaintiff will spur the very market that it claims the infringing use has already usurped. Some courts, therefore, presumably to find a use fair, conclude that no market exists, especially for well-protected purposes such as news reporting or parody.¹¹⁹ Nonetheless, a circular licensing analysis has the potential to render every single use that a copyright owner could license unfair, except for those uses courts have already explicitly protected.¹²⁰

The *Texaco* court — and courts citing *Texaco* — say they avoid this circularity by considering only "traditional, reasonable, or likely to be de-

¹¹⁶ *Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 930 (2d Cir. 1994).

¹¹⁷ Twelve courts have cited the language from *Campbell*, and twelve cited the language from *Texaco*. Three appellate courts cited the language from both *Campbell* and *Texaco* in discussing the fourth fair use factor: the Second Circuit in *Castle Rock Entertainment Group, Inc. v. Carol Publishing Group, Inc.*, 150 F.3d 132 (2d Cir. 1998); the Sixth Circuit in *Princeton University Press v. Michigan Document Services, Inc.*, 99 F.3d 1381 (6th Cir. 1996); and the Eleventh Circuit in *SunTrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257 (11th Cir. 2001).

¹¹⁸ See, e.g., *Castle Rock*, 150 F.3d at 146 ("It would . . . not serve the ends of the Copyright Act — i.e., to advance the arts — if artists were denied their monopoly over derivative versions of their creative works merely because they made the artistic decision not to saturate those markets with variations of their original." (internal citations omitted)).

¹¹⁹ See, e.g., *Nunez v. Caribbean Int'l News Corp.*, 235 F.3d 18, 25 (1st Cir. 2000), where the court found no market for licensing photographs of newsworthy individuals to journalists.

¹²⁰ The *Campbell* Court wrote early in its decision that parodies are not presumptively fair. 510 U.S. at 581. Later, in discussing the fourth factor, it distinguished between merely critical parodies ("parody pure and simple") for which there are no derivative markets, and other parodies that "may have a more complex character, with effects not only in the arena of criticism. but also in protectible markets for derivative works, too." *Id.* at 592.

veloped markets.”¹²¹ Unfortunately, a very difficult hurdle exists for defendants once any licensing regime is established. As *Texaco* shows, litigation and advocacy can have startling results.

A concentrated public relations campaign and litigation by the Copyright Clearance Center (CCC) helped to create the licensing regime cited by the *Texaco* court. Advocacy and litigation continued, in full force, after the decision. The CCC and the Association of American Publishers (AAP) strategically used *Texaco* to build its subscription base. In 1990 — two years before the *Texaco* trial court decision and after having existed for thirteen years — the CCC had only slightly more than 500 subscribers; about 400 used the CCC’s ponderous “Transactional Reporting Service,” and 110 used their much simpler “Annual Authorization Service” (AAS) license.¹²² But by the spring of 1993, only eight months after the district court decision, there were 3,500 subscribers to the AAS alone.¹²³ And by the year 2000 the CCC had more than 10,000 subscribers,¹²⁴ a number that has remained at that level to the present day.¹²⁵

Although the number of subscribers to the CCC increased by leaps and bounds after the two *Texaco* decisions — aided and abetted by CCC’s and AAP’s aggressive tactics — that is not the case for the number of publishers and authors who are represented by the CCC. In 1990, “approximately 8,000 publishers . . . had registered approximately 1.5 million publications with CCC.”¹²⁶ In 2007, the CCC reported that it “manages the rights to over 1.75 million works and represents more than 9,600 pub-

¹²¹ *Texaco*, 60 F.3d at 930; see also *Nunez*, 235 F.3d at 25; *Castle Rock*, 150 F.3d at 146; *Ringgold v. Black Entm’t Television, Inc.*, 126 F.3d 70, 81 (2d Cir. 1997); *Bill Graham Entm’t v. Dorling Kinserley, Ltd.*, 448 F.3d 604, 614 (2d Cir. 2006).

¹²² “At the end of 1989, there were approximately 400 users reporting under the TRS [the Copyright Clearance Center’s “Transactional Reporting Service”]. As of September 1990, there were 110 AAS [Annual Authorization Service] licenses, including eleven of *Texaco*’s major petroleum company competitors and many other research-oriented companies.” Brief of Plaintiffs-Appellees, *American Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 930 (2d Cir. 1994) (No. 1479) [hereinafter AAP Brief], available at http://fairuse.stanford.edu/primary_materials/cases/texaco/aap.html.

¹²³ Kelly L. Frey, Copyright Clearance Center: A Photocopying Licensing Alternative, presentation before the Greater Philadelphia Law Library Association Institute (Mar. 12, 1993): “CCC has agreements with over 8,000 publishers and 1.5 million titles. CCC currently licenses over 3,500 U.S. Corporations and subsidiaries on an annual basis under its Annual Authorization Service . . . including a growing number of law firm libraries.”

¹²⁴ Letter from Jodi Weeks (of the CCC) to Jim Heller (Aug. 8, 2000).

¹²⁵ Copyright Clearance Center “Corporate Overview,” <http://www.copyright.com/ccc/do/viewPage?pageCode=au1> (last visited Mar. 12, 2007).

¹²⁶ AAP Brief, *supra* note, 122, at 25.

lishers . . . authors, and other creators.”¹²⁷ So although the number of copyright creators and owners who use the CCC to collect royalties increased by only 20% from 1990 to 2006, and the number of works managed by the CCC grew by just over 15%, the number of *users* who pay royalties through the CCC grew by 700% between 1990 and 1993 (from about 500 to 3,500), and then nearly tripled between 1993 and 2000 (from 3,500 to 10,000). Clearly, the *Texaco* decision has been very lucrative for copyright owners, for publisher organizations such as the Association of American Publishers, and for the Copyright Clearance Center.

Subsequent to *Texaco*, the application of licensing analysis in court decisions that have cited both it and *Campbell* shows how *Texaco*-style licensing circularity favors plaintiffs. In *Ringgold v. Black Entertainment Television*,¹²⁸ artist Faith Ringgold sued Black Entertainment Television for showing a rerun of a television show that used a poster of her “Church Picnic Story Quilt” as a set decoration. Ringgold had licensed the sale of thousands of posters; the one on the show presumably had come, directly or indirectly, from one such sale.¹²⁹ Nothing in the show’s plot, dialogue, or camera-work drew attention to the poster, which remained partially obscured in the background, often out of focus, and which was visible for less than twenty-seven seconds.¹³⁰

The Second Circuit found that Ringgold demonstrated that a “traditional, reasonable, or likely to be developed” market existed for her to license her quilt as a television or film set decoration because she collected \$31,500 in 1995 from licensing her works, she is often asked to license her works for television and films, and she had earlier denied a request from a different television show to use a “Church Picnic” poster.¹³¹ The only evidence on the source of that \$31,500 suggested, however, that it came from a type of licensing use (posters) different from that of the defendant (set decoration). The court pointed to no evidence that Ringgold received money for licensing set decorations, and, apparently, Ringgold failed to claim that a market for licensing art as set decorations even existed; the appellate court’s only mention that such a market existed referred not to the trial court decision or the trial court transcript, but instead to an amicus brief by the Artists Rights Society and the Picasso Administration “indicating evidence of licensing artistic works for film and television set decoration.”¹³²

¹²⁷ Copyright Clearance Center “Corporate Overview,” *supra* note 125.

¹²⁸ 126 F.3d 70 (2d Cir. 1997).

¹²⁹ *Id.* at 72.

¹³⁰ *Id.* at 73.

¹³¹ *Id.* at 81.

¹³² *Id.* at 81 & n.15. In fact, the revenue stream typically runs the other way, with owners paying to place their products on television shows in increasingly

Before the *Ringgold* court even began its analysis of the fourth factor, it wrote that “just as members of the public expect to pay to obtain a painting or a poster to decorate their homes, producers of plays, films, and television programs should generally expect to pay a license fee when they conclude that a particular work of copyrighted art is an appropriate component of the decoration of a set.”¹³³ The court, however, compared dissimilar things: the producers of plays, films, and television programs already pay for their set decorations in *exactly* the same fashion that homeowners do — they buy them. They should not have to pay an additional licensing fee for each copyrighted item that is added to the background of a set.¹³⁴

The fact that a potential secondary user once asked for permission should not serve as evidence that the market was “traditional, reasonable, or likely to be developed,” nor that the use was unfair. Such requests, followed in some situations by a decision not to use the work when the request is denied, may come from a desire to avoid litigation. As noted earlier, the Supreme Court wrote in *Campbell* that a request for permission to use a work does not weigh against a finding of fair use.¹³⁵

Ringgold's catch-22 seems to require a user to get permission if the work is licensed for any type of use. If permission is denied, the user proceeds at his or her own risk, even if the use might actually be fair. Even though a fair use does not need permission,¹³⁶ every user who fears litigation, and therefore seeks permission and/or pays royalties because *some* licensing regime exists, helps to create a vicious cycle: subsequent users

clever and subtle ways. See *Lights, Camera, Brands*, *ECONOMIST*, Oct. 27, 2005.

¹³³ *Ringgold v. Black Entm't Television, Inc.*, 126 F.3d 70, 80 (2d Cir. 1997).

¹³⁴ No mise-en-scene is safe if every individually arranged piece of taxidermy lurking in a staged saloon set, every unique cross-stitched “Home Sweet Home” design hanging in a television living room, and every antique glass-eyed doll unearthed for the hazy background of a horror movie has a copyright owner lurking behind the scenes to license their product, and then search for it in a play, film, or television program to demand royalties or file an infringement suit. Arguably, potential plaintiffs would not even have to license their works, as long as they could prove that someone somewhere licensed similar products.

¹³⁵ *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 585 n.18 (1994). See also *Bill Graham Entm't v. Dorling Kinserley, Ltd.*, 448 F.3d 604, 614-15 (2d Cir. 2006).

¹³⁶ See *Castle Rock Entm't, Inc. v. Carol Publ'g Group*, 150 F.3d 132, 146 (2d Cir. 1998) (“If the use is otherwise fair, then no permission need be sought or granted. . . . [B]eing denied permission to use a work does not weigh against a finding of fair use.” (citing *Campbell*, 510 U.S. at 585 n.18.)) (alteration in original).

could have paid and should have paid, making it easier for future plaintiffs to win an infringement lawsuit.

Ringgold is somewhat different from another Second Circuit case decided a few years later, also in favor of the plaintiff. Faith Ringgold was able to show that she had received significant revenue from licensing her artwork, though for a very different purpose than the use that was held to be unfair. In *On Davis v. The Gap, Inc.*,¹³⁷ plaintiff On Davis ("Davis") had sold his work many times, but had licensed it only once — and received very modest royalties — for the same type of use that was the subject of the lawsuit against The Gap.

The opinion in *On Davis* was written by Judge Pierre Laval, who nearly a decade earlier as a district court judge wrote the trial court decision in *Texaco*.¹³⁸ Davis created non-functional designer eyewear (sold under the name Onoculii Designs) which he copyrighted. Without permission, The Gap used a photograph of a model wearing Onoculii eyewear in one of its advertisements. The district court granted The Gap's motion for summary judgment, dismissing Davis's copyright infringement claim. On appeal, the Second Circuit reversed.

The Second Circuit was convinced that the licensing "market" for Davis's artwork was harmed, even though he had only received \$50 for the one time he licensed his eyewear.¹³⁹ On the other hand, Davis had made roughly \$10,000 dollars a year selling Onoculii eyeglasses,¹⁴⁰ a market that, one might guess, could benefit from having Onoculii appear in The Gap's advertisement.¹⁴¹

The court pointedly evaluated The Gap's fair use defense "in light of the Supreme Court's clarification in *Campbell v. Acuff-Rose Music, Inc.* . . . of the relationship among the four factors specified in the statute as appropriate for consideration."¹⁴² As for the first factor, the court found that The Gap did not transform the Onoculii eyewear, and that the secondary use "being an advertisement, is at the outer limit of commercialism."¹⁴³ It readily concluded that the second and third factors favored Davis.

Judge Laval began his discussion of the fourth factor noting that *Campbell* clarified that the dictum from *The Nation* "if misunderstood,

¹³⁷ 246 F.3d 152 (2d Cir. 2001).

¹³⁸ Judge Laval was appointed to the United States District Court for the Southern District of New York in 1977. In 1993, President Clinton appointed him to the Second Circuit.

¹³⁹ *On Davis*, 246 F.3d 152.

¹⁴⁰ *Id.* at 157.

¹⁴¹ The record indicates that Davis initiated the lawsuit after asking The Gap whether they would be interested in selling a line of his eyewear. *Id.*

¹⁴² *Id.* at 174.

¹⁴³ *Id.* at 175.

was capable of causing confusion.”¹⁴⁴ Strangely — because *On Davis* did not involve criticism or parody — Laval referred again to *Campbell*, writing that a secondary use does not produce a harm cognizable under the Copyright Act when the harm comes “through criticism or parody, rather than by offering a market substitute for the original that supersedes it.”¹⁴⁵

The court had found earlier that Davis had established a fair market value of \$50 for a photo of someone wearing Onoculli in an advertisement,¹⁴⁶ and that a copyright owner suffers damage “[i]f a copier of [sic] protected work, instead of obtaining permission and paying the fee, proceeds without permission and without compensating the owner.”¹⁴⁷ Writing that “[i]f . . . the secondary use, by copying the first, offers itself as a market substitute and in that fashion harms the market value of the original, this factor argues strongly against a finding of fair use,”¹⁴⁸ the panel concluded that:

the Gap’s use is not transformative. It supersedes. By taking for free Davis’s design for its ad, the Gap avoided paying ‘the customary price’ Davis was entitled to charge for the use of his design Davis suffered market harm through his loss of the royalty revenue to which he was reasonably entitled in the circumstances, as well as through the diminution of his opportunity to license others who might regard Davis’s design as preempted by the Gap’s ad.¹⁴⁹

By all appearances, the court had to stretch in vacating the district court’s granting The Gap’s motion for summary judgment, and, arguably, added to the confusion Laval cautioned about. What makes the appellate court’s decision somewhat more comprehensible is the fact that the defendants’ use was for advertising — a typically disfavored use.¹⁵⁰

The Second Circuit panels in both *Ringgold* and *On Davis* apparently believed that any type of licensing in commercial settings creates a market,

¹⁴⁴ *Id.*

¹⁴⁵ *Id.*

¹⁴⁶ *Id.* at 161.

¹⁴⁷ *Id.* at 165.

¹⁴⁸ *Id.* at 175-76.

¹⁴⁹ *Id.* at 176.

¹⁵⁰ “The use . . . of a copyrighted work to advertise a product, even in a parody, will be entitled to less indulgence under the first factor of the fair use enquiry than the sale of a parody for its own sake. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 585 (1994). “‘Commercial uses’ are extremely broad. At one extreme, the defendant’s use of a copyrighted work in an advertising context is probably least likely to justify a fair use defense, even if the plaintiff’s copyrighted work, as well as the defendant’s use thereof, were both for advertising purposes.” (footnote citations omitted). 3 NIMMER & NIMMER, *supra* note 12, § 13.05[A][1][c].

an overly broad approach that contravenes the primary purpose of copyright. In *Ringgold*, the costs associated with licensing every copyrighted work in a realistic set, over and above actually buying the physical items themselves, will be prohibitive for many television, film, and theater producers. Artists making documentaries, for example, may end needing to find thousands of dollars in tight budgets to pay to license six seconds of a cell phone's ringtone, or the sound, as in *Hoop Dreams*, of the subject's family singing *Happy Birthday*.¹⁵¹ Aggressive copyright owners, supported by decisions like *Ringgold* and *On Davis*, themselves products of *Texaco's* "can pay/should pay" reasoning, can create a licensing market for nearly everything. And every person who pays royalties reduces the likelihood that a court will find that the fourth factor weighs in favor of fair use.¹⁵²

¹⁵¹ Nancy Ramsey, *The Hidden Cost of Documentaries*, N.Y. TIMES, Oct. 16, 2005, at B13. The U.S. Copyright Office has even held that ringtones are subject to the Copyright Act's statutory license for making and distributing phonorecords. See In the Matter of Mechanical and Digital Phonorecord Delivery Rate Adjustment Proceeding, No. RF 2006-1, U.S. Copyright Office (Oct. 16, 2006), 71 Fed. Reg. 64303 (Nov. 1, 2006).

¹⁵² The Sixth Circuit addressed the circular licensing conundrum in *Princeton University Press v. Michigan Document Services*, 99 F.3d 1381 (6th Cir. 1996). Like *Basic Books v. Kinkos Graphics, Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991), for-profit copyshop Michigan Document Services (MDS) was sued by several publishers for making coursepacks for students at the University of Michigan. Although the initial three-judge appellate court panel held that MDS's actions fair under section 107, in an en banc rehearing, eight of the thirteen judges held that MDS's actions were infringing. The majority — like the majority in *Texaco* — wrote that MDS's competitors paid royalties, and that if copyshops throughout the U.S. did what MDS did, the publishers' "revenue stream would shrivel." 99 F.3d at 1387. The majority also cited *Texaco* when it addressed the defendant's circularity argument: "Where . . . the copyright holder clearly does have an interest in exploiting a licensing market — and especially where the copyright holder has actually succeeded in doing so — 'it is appropriate that potential licensing revenues for photocopying be considered in a fair use analysis.'" 99 F.3d at 1381 (quoting *Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 930-31 (2d Cir. 1994)). Not surprisingly, the dissenters took the majority to task. "[P]laintiffs here have failed to demonstrate that the photocopying done by defendant has caused even marginal economic harm to their publishing business. . . . Simply because the publishers have managed to make licensing fees a significant source of income . . . does not make the income from licensing a factor on which we must rely in our analysis." 99 F.3d at 1396-97 (Merritt, J., dissenting); "The argument that the publishers seek to enter the derivative market of customized materials by licensing MDS and other copyshops who create such compilations, and that MDS's publication of unauthorized compilations interferes with their ability to obtain licensing fees from other copyshops simply returns the publishers to their original circular

V. THE TRANSFORMATIVE INQUIRY AND ENUMERATED USES

The character of the use — whether it transforms the original work — serves as only one prong of the first fair use factor, but it has become the focus of fair use analysis, and informs the analysis of the other factors. As the Supreme Court wrote in *Campbell*:

[a]lthough . . . 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.¹⁵³

A transformative use “adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.”¹⁵⁴ When the use of a work is transformative, the importance of its purpose — whether commercial, nonprofit, or something in between — is diminished.¹⁵⁵ As the tables in Part III show, in every appellate court decision citing both *Texaco* and *Campbell*, if the court found the use to be transformative, it was a fair use. Conversely, if the court found the use non-transformative, it was infringing.

Often, however, cases in the wake of *Campbell* and *Texaco* incorporated the enumerated uses — criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research — into the consideration of the character of the use, which confuses the issue of whether the work was actually transformed. *Campbell* paved the way by considering the enumerated uses within the ambit of the first factor: “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.”¹⁵⁶ In *Campbell*, the transformation stemmed directly from the enumerated use in question; parody underlay the changes that 2 Live Crew made to *Oh Pretty Woman*. In other cases, although an enumerated use did not actually transform a work, some courts nonetheless (and rather confusingly) considered it transformative.

argument that they are entitled to permission fees, in part, because they are losing permission fees.” 99 F.3d at 1408-09 (Ryan, J., dissenting).

¹⁵³ *Campbell*, 510 U.S. at 579 (1994).

¹⁵⁴ *Id.*

¹⁵⁵ “[T]he 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.” *Id.*

¹⁵⁶ *Id.* at 578-79.

In *Nunez v. Caribbean International News Corp.*,¹⁵⁷ the plaintiff, a professional photographer, took photographs of Joyce Giraud, Miss Puerto Rico Universe 1997, for use in her modeling portfolio, and distributed the photos to the Puerto Rico modeling community. Controversy arose when photos of a naked Giraud were displayed on a local television program. The defendant, newspaper *El Vocero*, wrote several articles about the controversy, and, without permission, included three of the plaintiff's photos.¹⁵⁸

The First Circuit held that *El Vocero* transformed the photos into news by publishing them.¹⁵⁹ The photos themselves, however, were not altered beyond the predictable decline in quality that results from transferring an 8"x10" glossy image into a newsprint photograph.¹⁶⁰ News, along with parody and the handful of uses that are listed in the preamble to section 107, is a favored use.¹⁶¹ But unlike parodies, transforming newsworthy items (here, photos) into something they are not, would, in fact, make them less newsworthy. The *Nunez* panel wrote that the rather titillating, scandal-driven news story provided commentary, thereby providing a context that altered the photographs.¹⁶² This analysis seems a somewhat disingenuous way to find transformation, given that in another part of the decision the panel agreed with the district court's comment that "the pictures were the story."¹⁶³

Other defendants, however, might have a hard time relying on this "context" analysis from *Nunez*. When such analysis is separated from the issue of enumerated uses, the defendants in *Nunez* provided a much less

¹⁵⁷ 235 F.3d 18 (1st Cir. 2000).

¹⁵⁸ *Id.* at 21.

¹⁵⁹ *Id.* at 23.

¹⁶⁰ *Id.* at 25.

¹⁶¹ "[T]he more informational or functional the plaintiff's work, the broader should be the scope of the fair use defense." 3 NIMMER & NIMMER, *supra* note 12, § 13.05 (a)(2)(a); "The scope of the fair use defense is broader when informational works of general interest to the public are involved than when the works are creative products." *Brewer v. Hustler Magazine*, 749 F.2d 527 (9th Cir. 1984).

¹⁶² "[W]hat 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 object of the original creation[s],' but instead used the works for 'a further purpose,' giving them a new meaning, or message. *Campbell*, 510 U.S. at 579 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 sec. 107." *Nunez v. Caribbean Int'l News Corp.*, 235 F.3d 18, 23 (1st Cir. 2000).

¹⁶³ *Id.* at 22.

transformative context than did many other defendants who lost the transformative portion of the first fair use factor. The panel itself noted that the photos were put on the cover of *El Vocero* to stimulate sales, not for the sole purpose of commenting on them.¹⁶⁴

Nunez raises a challenging issue as to when a copyrighted work's context in a news publication transforms it into news. Certainly the mere appearance of a work within a newspaper does not transform it into news. For example, a Dr. Seuss story is not "transformed" when it is republished verbatim in the children's section of a newspaper. Sometimes, however, as the court held in *Nunez*, the photograph or the work is itself the newsworthy subject. When such a work is used without the copyright owner's permission, courts can reasonably require that the work be used as news. To illustrate this point, consider the following scenarios.

A defendant newspaper uses a photographer's 8x10 nude photo of a beauty queen, and prints it to fill most of the first page of the newspaper. Any text about its significance is run on the second page or beneath the fold. In this case, the newspaper would be using the photograph in the same way that *Playboy* would: as a nude photo, and not as news.

Contrast this with a case where the newspaper photo is shrunk to a size significantly smaller than the original, appears beneath a headline, and is surrounded by textual commentary. Even though the news may still be salacious, the news story replaces the aesthetic thrust of the photograph itself as the primary focus and use.

A newspaper has a license from a cartoonist to publish his editorial cartoons. One cartoon depicts the prophet Mohammed sitting on a missile. Another newspaper reprints the cartoon, without permission, in the space it reserves for its daily editorial cartoons. Although the cartoon is a commentary on culture, religion and society, it acquires no new meaning or message compared to the original.

On the other hand, if the cartoon sparks protests, another newspaper might print it as part of a news story, making it clear that the purpose of reprinting the cartoon illustrates its story about the impact of the cartoon's content, not a mere repetition of the original content and meaning. In this case, reprinting the cartoon is critical to understanding why the cartoon is now "news."

Headlines and text are not the only ways in which a work may be transformed into news. For example, if a controversy arises regarding the reprinting of the cartoon itself — if the cartoonist claims infringement — a newspaper might print it with no textual commentary and no headline, transforming the cartoon by drawing a red circle with a line through it, or

¹⁶⁴ "The photographs were used in part to create an enticing lead page that would prompt readers to purchase the newspaper." *Id.*

by stamping the word “CENSORED” across it. These changes, even if they do not impair the ability to see the original work, alter the message. In this case, the use is one of those enumerated in the preamble to section 107 — commentary on the lawsuit.

In many cases, original works serve the same functions as the enumerated uses, such as news reporting, criticism, and commentary. Such works may be the subject of further enumerated uses themselves; today we see parodies of parodies, and news reporting on news reporting as newspaper ombudsmen and others attempt to make the media more transparent or to analyze it.¹⁶⁵ Accordingly, in the arena of enumerated uses and transformation specifically, courts should consider whether a work has been reprinted in a second source to merely recreate it, or, instead, in a way that qualifies as a true secondary enumerated use — such as news reporting — that relies on the original message, but also sends a new one, through context, which truly transforms the original’s message.

But courts have held that even drastic changes of context, such as changing dialogue from a television show into trivia questions in a book, do not constitute transformation.¹⁶⁶ In *Castle Rock Entertainment, Inc. v. Carol Publishing Group, Inc.*, the Second Circuit placed heavy emphasis on the first fair use factor in holding that the use of program dialogue in *The Seinfeld Aptitude Test (The SAT)*, a trivia book, was not a fair use.¹⁶⁷

The SAT included 643 trivia questions drawn from 84 out of 86 Seinfeld episodes that had been aired as of the time the book was published.¹⁶⁸ Rather than examine the infringement claim as to each individual episode, the court treated the entire series as a single work.¹⁶⁹ After concluding that *The SAT* infringed copyrighted expression from the programs, the court addressed the fair use defense, hinting, in language taken from *Campbell* that it might hold in favor of the defendant.

“From the infancy of copyright protection,” the fair use defense “has been thought necessary to fulfill copyright’s very purpose, ‘[t]o promote the Progress of Science and useful Arts.’ . . . Every book in literature, science and art borrows, and must necessarily

¹⁶⁵ For example, the commentary on the controversy over Dan Rather’s 60 Minutes piece about President Bush’s service in the Texas National Guard: *Online Focus: Eye of the Storm, a NewsHour with Jim Lehrer* (Sept. 16, 2004), http://www.pbs.org/newshour/bb/media/july-dec04/cbs_9-16.html. See generally Howard Kurtz’s *Media Notes* columns in the *Washington Post*.

¹⁶⁶ *Castle Rock Entm’t, Inc. v. Carol Publ’g Group*, 150 F.3d 132, 142-43 (2d Cir. 1998).

¹⁶⁷ *Id.* at 146.

¹⁶⁸ *Id.* at 135.

¹⁶⁹ *Id.* at 138.

borrow, and use much which was well known and used before.”
*Id.*¹⁷⁰

But this was not to be.

As for the first element of the first factor, the court wrote that the commerciality of the use was not very important. The court cited *Campbell* for its observation that “‘nearly all of the illustrative uses listed in the preamble of § 107 . . . are generally conducted for profit in this country,’ [citations omitted] . . . We therefore do not give much weight to the fact that the secondary use was for commercial gain.”¹⁷¹

The panel called the second element the more critical inquiry, and referring to the preamble wrote: “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.”¹⁷² The court also commented on the confusion in copyright jurisprudence between derivative works and transformative works, distinguishing between derivative works that merely transform an original work into a new mode of presentation and remain under control of the copyright owner, and those that have a transformative *purpose* and qualify as a fair use.¹⁷³

The Second Circuit’s conclusion that *The SAT* was not transformative proved fatal to the defendants when the court turned its analysis to the other three fair use factors, as this determination drove those subsequent findings. As for the nature of the use, the court wrote that “the fictional nature of the copyrighted work remains significant in the instant case, where the secondary use is at best minimally transformative.”¹⁷⁴

When it examined the amount and substantiality used, the court noted that, under *Campbell*, the inquiry focuses on whether the extent of

¹⁷⁰ *Id.* at 141 (internal citations to *Campbell* omitted).

¹⁷¹ *Id.* at 142. Compare *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1005, 1015 (9th Cir. 2001) (“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.” The Ninth Circuit, citing *Texaco*, wrote that commercial use was shown by Napster’s users not having to buy CD’s because they were getting music for free using Napster’s MusicShare software. The circuit court, with some modifications, affirmed the district court’s injunction against Napster as a contributory infringer because it facilitated transmission of MP3 files between and among its users through peer-to-peer file sharing, 239 F.3d at 1019. Unlike the personal time-shifting that was permitted in the “Betamax” case, *Napster* involved the distribution of copyrighted music to the general public.).

¹⁷² *Id.* at 142-43.

¹⁷³ *Id.* at 143.

¹⁷⁴ *Id.* at 144.

the copying is consistent with or more than necessary to further the purpose and character of the use.¹⁷⁵ It also quoted *Texaco*: “[B]y focusing [sic] on the amount and substantiality of the original work used by the secondary user, we gain insight into the purpose and character of the use as we consider whether the quantity of the material used was reasonable in relation to the purpose of the copying.”¹⁷⁶ Having earlier found that *The SAT*’s purpose was entertainment and not commentary, it served no critical or otherwise transformative purpose, and, therefore, the third factor weighed against fair use.¹⁷⁷

Campbell also came into play in the fourth factor, with the Second Circuit writing that its analysis of that factor “must also ‘take account . . . of harm to the market for derivative works,’ . . . defined as those markets that creators of original works would in general develop or license others to develop.” (citations omitted)¹⁷⁸ Even though there was no evidence that Castle Rock intended to market *Seinfeld* trivia books, the court found that the fourth factor favored the plaintiff.

As shown in both *Castle Rock* and *Ringgold*, transformations of context and form do not make a secondary use an enumerated use. In *Ringgold*, the Second Circuit did not consider that any new message or meaning might have emerged when a copyrighted artwork was briefly shown, out of focus, in the background of a television show as part of a mise-en-scene. By denying that the defendant’s use had any transformative properties, the court did not engage in any discussion other than to define “transformative” and to note that “the defendants’ use of Ringgold’s work to decorate the set for their television episode is not remotely similar to any of the [enumerated uses].”¹⁷⁹ As clearly evidenced by the Second Circuit, for some courts, “context” in the inquiry about the character of the use seems like nothing more than a pretext to inquire about enumerated uses, even where some contexts may truly transform.¹⁸⁰

¹⁷⁵ *Id.*

¹⁷⁶ *Id.* (citing *Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 926 (2d Cir. 1994)).

¹⁷⁷ *Id.*

¹⁷⁸ *Id.* at 145.

¹⁷⁹ *Ringgold v. Black Entm’t Television, Inc.*, 126 F.3d 70, 78 (2d Cir. 1997).

¹⁸⁰ See also *Mattel v. Walking Mountain Prods.*, 353 F.3d 792 (9th Cir. 2003) (holding that transforming three-dimensional dolls into two-dimensional photographs was transformative). But in *On Davis v. The Gap, Inc.*, the Second Circuit found nothing of the sort when three-dimensional eyewear became a minor part of a two-dimensional photograph. The Second Circuit could have found that the change to a two-dimensional poster helped the defendant, but it did not do so. The primary difference between the two cases — which always is of great importance in a fair use analysis — is that *Mattel* dealt with parody and social satire, while *On Davis* dealt with advertising.

Examining both transformative and enumerated uses came to the forefront in the most recent decision citing both *Campbell* and *Texaco*, also from the Second Circuit. In *Bill Graham Archives v. Dorling Kindersley, Ltd.*,¹⁸¹ the court held that using significantly reduced-in-size concert posters in a biography of the Grateful Dead was a fair use. The panel found that the first factor favored the defendant publishers (DK) as to both purpose and character.¹⁸² As we have seen before, that the use was transformative informed the court's conclusions on the other factors.

Although the second factor favored Bill Graham because the posters were creative, citing *Campbell*, the court gave it limited weight because a creative work was used for a transformative purpose. The court wrote that its third factor inquiry should take into account whether the amount taken was necessary for the purpose and character of the use.¹⁸³ It found that this factor favored DK because copying entire works "is sometimes necessary to make a fair use of the image."¹⁸⁴

As for the fourth factor, the court needed to meet the licensing issue head on, for Bill Graham argued that the publisher interfered with an established market for licensing its images.¹⁸⁵ The court also had to overcome three important facts: that DK had paid fees to other copyright owners to include their images in the biography, that DK initially contacted Bill Graham Archives to negotiate a license agreement, and that although the parties could not agree on the fee, DK nevertheless proceeded to use images without permission.

In holding that the Bill Graham Archives was not harmed, the panel found support in the enumerated uses listed in section 107's preamble, as well as its earlier determination that DK's use was transformative. First, the court wrote that Bill Graham's licensing market was not harmed merely because DK did not pay a fee for the images. Citing *Texaco*, the court needed to "look at the impact on potential licensing revenues for 'traditional, reasonable, or likely to be developed markets.'"¹⁸⁶

The panel found that Bill Graham failed to show "impairment to a traditional, as opposed to a transformative market."¹⁸⁷ Distinguishing *Texaco*, it found that "the use of the images in the biography 'was transformatively different from their original expressive purpose. In a case

¹⁸¹ 448 F.3d 605 (2d Cir. 2006).

¹⁸² *Id.* at 608-12.

¹⁸³ "The third-factor inquiry must take into account the 'extent of the permissible copying varies with the purpose and character of the use.'" *Id.* at 613 (citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 586-87 (1994)).

¹⁸⁴ *Id.*

¹⁸⁵ *Id.* at 614.

¹⁸⁶ *Id.* (citing *Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 930 (2d Cir. 1994)).

¹⁸⁷ *Id.*

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 . . . [C]opyright owners may not preempt exploitation of transformative markets'¹⁸⁸ It concluded that because DK's use of the images fell within a transformative market, Bill Graham did not suffer market harm due to its loss of license fees.

As the most recent decision that cited both *Campbell* and *Texaco* — and one in which the Second Circuit had to address *Texaco's* licensing reasoning head on — users of copyrighted works may find some comfort in the *Bill Graham* decision. Bringing the enumerated uses into the fourth factor inquiry, the court wrote that a copyright owner cannot, through a licensing regime, carve out the entire market for secondary uses — especially the uses listed in the preamble.

There is danger, however, in treating the transformative inquiry as the equivalent of an examination of enumerated uses. First, genuinely transformative works that do not qualify as enumerated uses could lose the highly important transformative prong. Second, enumerated uses that are indisputably non-transformative, such as multiple copies for classroom use, might not receive the protection already given by Congress.¹⁸⁹ Contradictory results will necessarily arise: a shift in medium from a glossy image to a newsprint photograph was transformative in *Nunez*,¹⁹⁰ but the brief, blurry, background appearance of a poster in the television show in

¹⁸⁸ *Id.* at 614-15 (citing *Castle Rock Entm't v. Carol Publ'g Group*, 150 F.3d 132, 146 n.11 (2d Cir. 1998) (internal citations omitted)).

¹⁸⁹ *Princeton Univ. Press v. Michigan Document Servs.*, 99 F.3d 1381 (6th Cir. 1996) shows how different judges on the same circuit approach this issue. Like *Basic Books v. Kinkos Graphics, Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991), copyshop MDS was sued by several publishers for making coursepacks for students at the University of Michigan. Although the initial three-judge appellate court panel held that a for-profit company's making coursepacks was a fair use, in an en banc rehearing, eight of the thirteen judges held that MDS's actions were infringing. In analyzing the first factor, four of the five dissenting judges focused on the ultimate users — students and faculty — rather than on the copyshop: "The copying done in this case is permissible under the plain language of the copyright statute that allows 'multiple copies for classroom use,'" (99 F.3d at 1395 Merritt, dissenting, joined by Doughtrey and Moore), and "there is no occasion to address the transformative aspect because that inquiry is not conducted at all in the case of multiple copies for classroom use." 99 F.3d at 1400 (Ryan dissenting, joined by Doughtrey). By contrast, the majority focused on MDS's activities, rejecting the defendant's argument that the copying was a non-profit educational use. It also called the copying non-transformative, and, citing both *Sony* and *Campbell*, presumed that the plaintiffs were harmed when it looked at the fourth fair use factor. 99 F.3d at 1385-86.

¹⁹⁰ *Nunez v. Caribbean Int'l News Corp.*, 235 F.3d 18, 22 (1st Cir. 2000).

Ringgold was not.¹⁹¹ Using complete (though significantly reduced in size) images in a biography was a fair use in *Bill Graham*, but using dialogue from a television show in a trivia book in *Castle Rock* was not. Unpredictable results will create a chilling effect for those who contemplate uses that may very well further the purpose of copyright, but which are not actually enumerated.

VI. INTERMEDIATE COPYING

The creation of some secondary works involves multiple stages. When this happens, courts inevitably must choose which stage to consider when analyzing whether the first work was transformed. But intermediate uses are inappropriate targets for the transformative inquiry: when a defendant copies for a clearly enumerated use, such as the scholarly criticism at issue in *Sundeman v. Seajay Society*,¹⁹² the defendant should be permitted to make complete copies of the copyrighted work.

In *Sundeman*, the defendant Seajay Society purchased an unpublished manuscript of deceased Pulitzer Prize-winning novelist Marjorie Kinnan Rawlings.¹⁹³ As part of its nonprofit purpose of enhancing awareness of and interest in unduly neglected aspects of South Carolinian and Southern culture, the Seajay Society made one complete photocopy and one partial photocopy of the unpublished manuscript of Rawling's novel, *Blood of My Blood*.¹⁹⁴ The complete copy was given to Dr. Anne Blythe so she could analyze it and mark it up without harming the original manuscript.¹⁹⁵ The partial copy went to the University of Florida Library's Rare Book Room. Access to this copy was restricted, and further copying forbidden, so that the author's survivors might authenticate it and the University determine whether it was worthy of publication.¹⁹⁶

In its analysis, the court looked at both the intermediate copying (the complete copy given to Blythe and the partial copy to the University), and the final product, Blythe's critical analysis of *Blood of My Blood*. The court noted making the complete and partial copies enabled Blythe and the University to accomplish their purposes, and also that the copying avoided the risk of harming the irreplaceable original manuscript. In holding for the defendant, the court recognized the copying as transformative, although it focused on the fact that the transformation occurred through scholarship, comment, and criticism — all enumerated uses.¹⁹⁷

¹⁹¹ *Ringgold v. Black Entm't Television, Inc.*, 126 F.3d 70, 78-79 (2d Cir. 1997).

¹⁹² 142 F.3d 194 (4th Cir. 1998).

¹⁹³ *Id.* at 198-99.

¹⁹⁴ *Id.* at 199.

¹⁹⁵ *Id.*

¹⁹⁶ *Id.*

¹⁹⁷ *Id.* at 202-03.

Although the appellate court cited *Texaco*, it did so only for authority that its review of the district court decision was de novo.¹⁹⁸ This is surprising; of the dozen cases that cited both *Campbell* and *Texaco*, *Sundeman*'s facts are closest to *Texaco*'s, in that in both cases the defendant made complete copies of print works. *Sundeman*, of course, did not have to contend with *Texaco*'s CCC licensing regime, and in *Sundeman*, the defendant actually used the photocopies, rather than filing them away for future use as did Dr. Chickering.

In *NXIVM v. The Ross Institute*,¹⁹⁹ the Second Circuit could have, but did not, comment on intermediate copying that presumably took place in a case involving the unauthorized publication of parts of a proprietary course manual protected both by copyright and a non-disclosure agreement. NXIVM, which presented business training seminars, provided the course manual to those who attended its "Executive Success" program. The program attracted the attention of Richard Ross's "Ross Institute," a for-profit organization that engaged in cult de-programming.²⁰⁰ Ross obtained a manual from someone who had attended an NXIVM program, commissioned two reports critical of NXIVM that quoted sections from the manual, and published the reports on the Institute's Web sites. It seems likely that either Ross, or the authors of the reports he commissioned, copied NXIVM's manual.

The Second Circuit in *NXIVM* began its analysis of the first factor by looking at the preamble. Citing *Wright v. Warner Books, Inc.*,²⁰¹ the court wrote "there is a strong presumption that factor one favors the defendant if the allegedly infringing work fits the description of uses described in § 107."²⁰² Even though the defendants exercised bad faith in how they got their hands on the manual,²⁰³ they won the first factor "in light of the transformative nature of the secondary use as criticism."²⁰⁴

The second factor worked against the Ross Institute because the manual was unpublished.²⁰⁵ Regarding the third factor, the court cited *Texaco* to focus its analysis on whether the amount used was reasonable in relation to the purpose of the copying. Apparently the appeals court agreed with the district court in finding that this factor favored neither the plain-

¹⁹⁸ *Id.* at 201.

¹⁹⁹ 364 F.3d 471 (2d Cir. 2004).

²⁰⁰ *Id.* at 475.

²⁰¹ 953 F.2d 731 (2d Cir. 1991).

²⁰² 364 F.3d at 477 (citing *Wright*, 953 F.2d at 736). *Texaco*, *NXIVM*, and *Sundeman* all cited *Wright* for this same point.

²⁰³ The defendants either knew that the seminar attendee who gave them the manual did it without authorization, or in violation of the law. *NXIVM*, 364 F.3d at 478.

²⁰⁴ *Id.* at 479.

²⁰⁵ *Id.* at 480.

tiff nor the defendant, even though it wrote that it was reasonable for the Ross Institute to quote liberally from the manual, and as such, “the third factor does not favor plaintiffs.”²⁰⁶ The fourth factor, the court concluded, weighed heavily in favor of the defendants because the transformative criticism was not a market substitute for the original manual.²⁰⁷ Weighing all the factors, the court held that the Ross Institute’s use was fair.

In many cases — especially those involving new technologies such as *Sony v. Connectix* (discussed below), but also in others involving traditional print works as in *Sundeman v. The Seajay Society* — creating a transformative work requires, as an interim step, copying the original. NXIVM did not claim infringement with regard to the intermediate copies; it sued for trademark disparagement, for interference with contractual relations, and for infringement for posting portions of the manual on the Ross Institute’s Web site.²⁰⁸

Intermediate copying issues could have been raised in *Texaco* had Dr. Chickering actually produced something transformative from the articles he copied. But he did not.²⁰⁹ The Second Circuit noted that “spontaneous” copying, such as to protect the original if a copy needed to be brought into the lab, would have favored Texaco.²¹⁰ The closest the court came to addressing Chickering’s copying as an intermediate step in the process of creating something new was its quoting the district court, with which it agreed, that the transformative factor may have weighed for the defendants if Chickering had made another copy “for marking with scratch notes.”²¹¹

The *Texaco* holding is best read narrowly, then, for its exact context — where the copies made are not used in the process of creating a new transformative work, such as a journal article, a research report, or a critical study. Had Chickering marked up the copies as an intermediate step to create something new, the transformative factor might have come out differently.²¹² And because the finding on that factor illuminates the other factors, Texaco probably would have prevailed in its fair use defense.

²⁰⁶ *Id.* at 481.

²⁰⁷ *Id.* at 481-82.

²⁰⁸ *Id.* at 476.

²⁰⁹ *Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 919 (2d Cir. 1994).

²¹⁰ *Id.*

²¹¹ *Id.* at 920 n.6.

²¹² Timing clearly is important. Texaco’s fair use defense failed because Chickering had done nothing with the copies. Although Chickering may have intended to use them in the process of creating something transformative, he had not done so. Liability might be found in any intermediate copying situation if the plaintiff sues at the right time — before the defendant creates a transformative work.

Courts deal with technology quite differently, recognizing that intermediate copies that are created as a part of the process of transforming the original work, rather than as an end in themselves, should not be the focus of a fair use inquiry. In *Sony Computer Entertainment v. Connectix*,²¹³ the defendant developed software that emulated the Sony PlayStation so that PlayStation games could be played on different computers. To create its software, Connectix copied Sony's copyrighted basic input-output system (BIOS) software during a reverse engineering process that helped Connectix figure out how the PlayStation worked.²¹⁴ Connectix loaded Sony's BIOS into their own computers, and ran it repeatedly so that its engineers could develop software that interacted with Sony's BIOS. After creating its own software, Connectix developed their own BIOS to interact with its software. The Ninth Circuit held that Connectix's intermediate copying and use of Sony's BIOS to access the unprotected elements of Sony's software was a fair use.²¹⁵

The Ninth Circuit began its fair use analysis with the second factor, the nature of the copyrighted work. The panel specifically noted that copyright did not protect the "functional" aspects of a software program, which were presumably decoded through Connectix's reverse engineering, and noted that computer software presented a "unique problem" in copyright, in terms of the idea/expression dichotomy.²¹⁶ It then cited *Campbell* for the principle that "some works are closer to the core of intended copyright protection than others," and *Sega v. Accolade* as authority for giving Sony's BIOS a "lower degree of protection than more traditional literary works."²¹⁷ Although the court found that the third factor (the amount used) favored Sony because Connectix copied Sony's BIOS numerous times, it gave this factor very little weight "in a case of intermediate infringement when the final product [Connectix's software] does not itself contain infringing material."²¹⁸

As for the first factor, the panel's decision illustrates many courts' confusion with post-*Campbell* fair use analyses. The court began its discussion by noting that the district court applied the wrong standard when it held that "Connectix's commercial purpose in copying the Sony BIOS gave rise to a 'presumption of unfairness that . . . can be rebutted by the

²¹³ 203 F.3d 596 (9th Cir. 2000).

²¹⁴ *Id.* at 599-601.

²¹⁵ *Id.* at 602.

²¹⁶ *Id.* at 603.

²¹⁷ *Id.* (citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 569 (1994); *Sega v. Accolade*, 977 F.2d 1510, 1526 (9th Cir. 2002)).

²¹⁸ *Id.* at 606.

characteristics of a particular commercial use.”²¹⁹ The appeals court took the district court to task, noting that *Campbell*, decided several years earlier, had rejected such a presumption.²²⁰ Having clarified the proper standard, the panel found that Connectix’s copying for a commercial purpose was a separate factor tending to weigh against fair use.²²¹

The panel also found Connectix’s Virtual Game Station “modestly transformative.”²²² To complete its finding on the first factor, citing *Campbell*, the court weighed the extent of the transformation “against the significance of other factors, including commercialism, that militate against fair use.”²²³ Here, the court entered the intermediate use arena, writing that because Connectix’s commercial use of Sony’s copyrighted software was an intermediate use, it was only “indirect and derivative.”²²⁴ Focusing on the intermediate use, the panel found that reverse engineering was a legitimate purpose, and that the first factor favored Connectix.

The court held that the fourth factor also favored Connectix, notwithstanding the fact that Sony suffered some economic loss. Because the Virtual Game Station was transformative, it did not merely supplant the PlayStation, but instead was a legitimate competitor.²²⁵ Having won all but the amount and substantiality (which, as noted above, the panel discounted because the final product, the Virtual Game Station, did not itself contain infringing material) the court held that Connectix’s use was fair.

Unlike *Connectix*, *Texaco* dealt with nothing more technologically advanced than a photocopier. (Placing *Texaco* in the twenty-first century by substituting a scanner and a folder on Dr. Chickering’s computer for a photocopier and a file cabinet will not change the analysis.) Notwithstanding cases like *NXIVM* and *Sony*, with *Texaco*’s endorsement of CCC’s licensing regime and the “can pay/should pay” philosophy, courts may feel comfortable attacking copying or scanning under the first factor, even when they occur as intermediate uses toward the creation of ultimately transformative works. In the absence of other court decisions, the threat of litigation will impair one’s inclination to copy articles or book chapters, even when such copying leads to writing commentary or criticism that lie at the heart of the kind of works that the fair use doctrine should protect.

²¹⁹ *Id.* (citing the district court decision, *Sony Computer Entm’t v. Connectix*, 48 F. Supp. 2d 1212 (N.D. Cal. 1999)).

²²⁰ The Ninth Circuit also cited *Texaco* here as authority for “rejecting, on grounds of *Acuff-Rose* and collected cases, presumption of unfairness for commercial use as applied to *Texaco*’s intermediate copying of copyrighted articles.” *Id.* at n.10.

²²¹ *Id.*

²²² *Id.*

²²³ *Id.* at 607.

²²⁴ *Id.* (citing *Sega v. Accolade*, 977 F.2d at 1522).

²²⁵ *Id.*

VII. REVISING SECTION 107

To address the numerous problems courts have in interpreting the current fair use statute, the authors propose a revised section 107, which we will call R107. Although R107 attempts to eliminate the circularity problem that tipped the balance against fair use in several cases, including the Second Circuit's decisions in *Texaco*, *Ringgold*, and *On Davis*, it also addresses other problems courts have had interpreting and applying the current fair use statute. In Revised Section 107, deletions to existing § 107 are ~~stricken~~, and additions are *italicized*.

Revised Section 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~~ is not an infringement of copyright. *The overarching consideration in determining whether a use is fair is whether such use promotes the progress of the arts and sciences.*

(a) *In determining whether the use made of a work in any particular case is a fair use, uses for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, are favored; other factors to be considered shall include:*

(1) ~~The purpose and character of the use, final work, including whether such use is of a commercial nature or is for nonprofit educational purposes; it substitutes for the original work, or instead transforms the original work with new expression, meaning, or message;~~

(2) The nature of the copyrighted work;

(3) The amount and ~~substantiality~~ *significance* of the portion used in relation to the copyrighted work as a whole, *including whether the amount taken is necessary to achieve a legitimate purpose.*

(b) 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.

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

(d) The fact that a work is copied in its entirety as an intermediate step shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

A. *Revised Section 107, the Fourth Fair Use Factor, and Licensing*

Revised § 107 will lead courts away from a consideration of potential harm to licensing markets and concomitant loss of licensing revenue to the plaintiff as they decide questions of fair use. R107 eliminates the fourth factor in the existing statute: whether the secondary use harms the market for the original work. Courts interpret this factor inconsistently — sometimes in a manner contrary to express direction from the Supreme Court — and create enormous hurdles for defendants who claim that their uses are fair.²²⁶

The ultimate goal of copyright should inform how courts make decisions regarding fair use, and R107 highlights this overarching consideration in its preamble. Courts have long recognized that harm is not always cognizable just because a secondary work reduces the value of the original work,²²⁷ and a court that does properly interpret the existing fourth factor will inquire whether the secondary use usurped the market for the original work.²²⁸

Copyright does not protect the owner when a secondary user causes a reduction of the original's market share by criticizing the work or providing a distinct, alternative product. Although a scathing book review might reprint some text from the reviewed book and reduce its number of sales, such harm is not of the type that copyright law seeks to prevent. Conversely, if a reviewer reprints such a significant amount of the original

²²⁶ In the Michigan Document Services copyshop case, the Sixth Circuit, citing *Texaco*, wrote that it was uncertain whether the final factor retained its status as the most important of the four factors, as the Supreme Court had written in the 1985 *Nation* case involving the Ford memoirs. 99 F.3d at 1385. Writing that “the Supreme Court may now have abandoned the idea that the fourth factor is of paramount importance,” it nonetheless described that factor “is at least *primus inter pares*,” and examined it first (rather than last) when it began examining the four statutory factors.

²²⁷ *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 591-92 (1994). The federal circuit courts have cited this language from *Campbell* several times. See *NXIVM Corp. v. Ross Inst.*, 364 F.3d 471, 482 (2d Cir. 2004); *On Davis v. The Gap, Inc.*, 246 F.3d 152, 175-76 (2d Cir. 2001); *Castle Rock Entm't Group, Inc. v. Carol Publ'g Group, Inc.*, 150 F.3d 132, 145 (2d Cir. 1998); *Leibovitz v. Paramount Pictures Corp.*, 137 F.3d 109, 114 (2d Cir. 1998); see also *SunTrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257, 1274 (11th Cir. 2001); *Sony Computer Entm't Am. Inc. v. Bleem, LLC*, 214 F.3d 1022, 1029 (9th Cir. 2000).

²²⁸ See, e.g., *Ty, Inc. v. Publ'ns Int'l, Inc.*, 292 F.3d 512, 517-19 (7th Cir. 2002).

book that readers would be able to read the review *instead* of the original book — and more than is necessary to convey the reviewer’s message — then the use would usurp the share of the market that rightfully belongs to the original author. But when the review undermines the market for the original book merely by its criticism — and does not include more from the original work than was necessary to achieve the purpose of the review — the harm caused is not of the type that copyright law seeks to prevent. A proper interpretation of the fourth factor seeks to permit *complementary* uses (such as book reviews or commentaries), but not market substitutes.

Concern that eliminating the fourth factor unfairly favors the defendant in an infringement suit is misplaced; R107 tips the fair use balance against market substitutes, while protecting complementary uses. A secondary use that transforms the original work is unlikely to function as a market substitute. Because it is a *different* work than the original, consumers who would purchase the original would not be likely to purchase the secondary work instead of it.

Moreover, a secondary work that does not take a significant portion of the original work — and only what is needed to achieve a legitimate purpose — is unlikely to be a market substitute. Exclusion of the existing fourth factor from the proposed statute does not render market substitutes fair. Elimination of the existing fourth factor does, however, remove the factor upon which the Second Circuit relied in *Texaco* when making its problematic determination that loss of licensing revenue tipped the fair use balance against fair use.

If there is any doubt regarding the licensing conundrum — the circularity problem in *Texaco* — R107 states explicitly that “The fact that a work is licensed shall not itself bar a finding of fair use if such finding is made upon consideration of [the factors listed in subsection (a)].” This clause makes clear that courts should not use loss of licensing revenue as a dispositive factor in the fair use analysis. Just because the copyright owner licenses his or her work does not mean that they have a monopoly over every use so licensed.

B. Revised Section 107 and Character of the Use

Revised section 107 also addresses the problems that have emerged in current jurisprudence regarding the “character of the use” inquiry — whether the secondary use transformed the protected work. Given the important, and frequently dispositive, nature of this analysis, it is troubling that courts have increasingly coupled this inquiry with a determination of whether a secondary use is one of the favored uses enumerated in the preamble of existing section 107.

Infinity Broadcasting Corp. v. Kirkwood,²²⁹ did not involve copying, but rather, retransmission of radio programs broadcast by the plaintiff. Defendant Kirkwood owned Media Dial-Up, a system that enabled its customers, who lived anywhere in the U.S., to listen to radio broadcasts originating in various cities.²³⁰ The Second Circuit, finding that all four factors favored Infinity, reversed the district court's holding that the use was fair.

The panel began its discussion with the preamble. Citing both *Campbell* and *Ringgold* in writing that "the illustrative nature of the categories should not be ignored,"²³¹ the court noted that the defendant's retransmissions fell into none of the categories. Proceeding with its examination of the four fair use factors, the panel found for Infinity on both the purpose and character prongs of the first factor.

Although it agreed with the district court that Kirkwood's purpose was different than Infinity's — Kirkwood used the broadcasts to inform, while Infinity used them to entertain — the appellate court wrote that "difference in purpose is not quite the same as transformation, and *Campbell* instructs that transformativeness is the critical inquiry under this factor."²³² Again citing *Campbell*, the court wrote "the more transformative the work, the less will be the significance of other factors, like commercialism, that may weigh against fair use."²³³ The panel found that Kirkwood's retransmissions did not transform the original broadcasts, and quoted Pierre Leval's "frequently-cited article on fair use, [that] a use of copyrighted material that 'merely repackages or republishes the original' is unlikely to be deemed a fair use."²³⁴

Take a step back to *Campbell*, where the Supreme Court reversed the Sixth Circuit's holding that 2 Live Crew's parody was not a fair use, despite the fact that it had a commercial purpose. In the context of the facts of that case, the Supreme Court discounted the importance of commercialism because first, parody is one of the favored uses noted in the preamble (comment and criticism), and second, a parody is transformative.

The blurring of the transformative and enumerated purpose inquiries has occurred as courts have looked at the context in which the secondary use operates. Some courts (*Ringgold*, and, perhaps, *Bill Graham*) have decided that an alleged infringing use is considered transformative because it is an enumerated use, while others (*Nunez* and *Castle Rock*) have

²²⁹ 150 F.3d 104 (2d Cir. 1998).

²³⁰ *Id.* at 106.

²³¹ *Id.* (citing *Ringgold v. Black Entm't Television, Inc.*, 126 F.3d 70, 78 (2d Cir. 1997) (quoting *Campbell*, 510 U.S. at 577)).

²³² *Id.* at 108.

²³³ *Id.* (citing *Campbell*, 510 U.S. at 579).

²³⁴ *Id.* (citing Leval, *supra* note 11, at 1111).

held that a secondary use is not transformative — even if the change of context from the original is drastic — when the secondary use is not enumerated. When genuinely transformative works lose the heavily emphasized character factor, the result is the chilling of the creation of works that, although not serving one of the enumerated purposes, do promote the progress of the arts and sciences.

R107 alleviates this problem in several ways. First, R107 lists the enumerated uses of existing section 107, and indicates that such uses are favored. Second, the language “other factors to be considered shall include” (the three numbered factors character of the final work, nature of the use, and amount and significance used) makes clear the distinction between the favored enumerated uses and these three factors. By decoupling these inquiries, users will be better able to gauge whether their use is likely to be fair: an enumerated use is favored, even if it is not necessarily transformative, and a transformative use will win the first factor, even if it is not enumerated.

Additionally, the preamble to R107 explicitly states that the ultimate, driving inquiry in making a fair use determination is whether the secondary use promotes the progress of the arts and sciences. Secondary uses that are enumerated and/or transformative can serve this function, even if the particular use in question is not *both* an enumerated use and transformative.

Finally, R107 includes a new provision that helps to prevent the blurring of the character and enumerated use inquiries. Subpart (d) permits entire, non-transformative copies to be deemed fair if they are made as an intermediate step — a step that is taken prior to the completion of the final secondary work, as took place in *Sony v. Connectix*.²³⁵ In *Connectix*, the defendant software developer had to make an entire copy of the Sony’s computer code to reverse engineer it in order to create the secondary product, which was an entirely different set of computer code.²³⁶

In *Texaco*, the court found that Dr. Chickering copied, and then archived, journal articles. The factual record did not show that Chickering actually used the photocopies in conducting research for Texaco — an intermediate use — and then transform them into something else, such as a research report. Had Chickering done so, then under R107 his copying would likely have been protected, and the fact that the articles were licensed would not have barred a finding of fair use.

By making clear that intermediate copies should not be considered in conducting a fair use analysis, revised section 107 eliminates the problems that arise when some courts look to the initial instance of copying, while

²³⁵ 203 F.3d 596, 606 (9th Cir. 2000).

²³⁶ *Id.* at 601, 606.

others look to the final product. By explicitly permitting intermediate copies *if* the final product justifies the taking as a fair use, a court can focus on why a defendant copied the original work, helping it to get to the heart of the fair use analysis: whether the use tends to promote progress in the arts and sciences.

C. Revised Section 107 and the Amount and Substantiality of the Use

The third factor of R107 is similar to the third factor in existing section 107 — how much of the copyrighted work was used in the secondary work, and how significant that material is to the original work? R107, however, substitutes “the amount and significance of the portion used” for “the amount and substantiality of the portion used,” making clear that a court’s determination of whether the third factor weighs for or against fair use is determined by three separate inquiries.

When analyzing the third factor of existing section 107, courts are to evaluate the amount copied in relation to the original copyrighted work, not to the infringing work.²³⁷ Some courts have evidenced confusion with this aspect of the third factor, even acknowledging that although section 107 directs them to look at the amount used in relation to the work it was copied *from*, they also may look at the amount taken in relation to the infringing work.²³⁸ Revised section 107 makes clear what court should look at, and also clarifies other parts of the third factor inquiry.

First, under R107 courts must look at how much of the original work was taken for use in the secondary work — the quantitative prong of the third factor. This is a factual inquiry that can generally be expressed as a percentage — *X* percent of the copyrighted material was taken. There is no bright-line rule that indicates how much of a copyrighted work may be fairly taken, and courts have held that copying an infinitesimal amount may be unfair when the portion taken is an important part of the original work.²³⁹ Conversely, as in *Sony*, copying an entire work may be fair.

²³⁷ See, e.g., *Harper & Row, Publishers, Inc. v. Nation Enters.*, 417 U.S. 539, 564-66 (1985); *Elvis Presley Enters., Inc. v. Passport Video*, 349 F.3d 622, 630 (9th Cir. 2003); *Video Pipeline, Inc. v. Buena Vista Home Entm’t, Inc.*, 342 F.3d 191, 201 (3d Cir. 2003); *Castle Rock Entm’t Group, Inc. v. Carol Publ’g Group, Inc.*, 150 F.3d 132, 144 (2d Cir. 1998).

²³⁸ “The language of section 107 does not direct us to examine factor three in relation to the infringing work. However, because our precedents have applied this gloss to factor three, and because this perspective gives an added dimension to the fair use inquiry, we too briefly consider the amount and substantiality of the protected passages in relation to the work accused of infringement.” *Wright v. Warner Books, Inc.*, 953 F.2d 731, 739 (2d Cir. 1991).

²³⁹ See, e.g., *Harper & Row*, 417 U.S. at 565-66 (taking 300-400 words from a 200,000-word manuscript deemed unfair); *Salinger v. Random House, Inc.*,

Courts must look at the significance of the portion of the copyrighted work that was taken — the qualitative prong of the third factor.²⁴⁰ The word “significance” in the proposed statute replaces the word “substantiality” to clarify that courts should not confuse the inquiry under the second prong as one that looks to the quantity of the copyrighted work used in a secondary work.

Every secondary use can be placed into one of four categories that can help guide courts’ third factor analyses. Regarding the “amount” used, the defendant will have taken either a large amount of the original work, or not. Regarding the “significance” prong, the defendant will have either taken an important part of the copyrighted work, or not. If the defendant took a substantial amount of the original work, and that portion is significant to the original work, then the third factor will generally weigh against fair use. On the other hand, if the defendant took only a small portion of the original work that was not the heart of that work, the third factor will generally weigh in favor of fair use.

In the other two cases — when the defendant takes a lot of the original work, but not the heart, or when the defendant took a small amount of the original work, but it was a very significant portion — the result of the third factor analysis should be guided by the third (and the most important) prong of the third factor — whether the amount and significance of the portion taken was necessary to achieve the secondary uses proper purpose.

The ultimate goal of copyright is to promote the progress of the arts and sciences, and the law should protect uses that alter the original work by infusing it with a new meaning or message. Accordingly, secondary uses that incorporate only the portion of the original work that is necessary to achieve their proper purposes should be deemed fair.²⁴¹ As the Supreme Court noted in *Campbell*, a parody must copy enough of the

811 F.2d 90, 98 (2d Cir. 1987) (copying 10% deemed unfair); *Craft v. Kobler*, 667 F. Supp. 120, 129 (S.D.N.Y. 1987) (copying 3% deemed unfair); *cf.*, *e.g.*, *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) (copying 100% deemed fair); *Arica Inst., Inc. v. Palmer*, 970 F.2d 1067, 1078 (6th Cir. 1992) (copying three passages deemed fair); *Wright*, 953 F.2d at 738 (copying 1% deemed fair); *Maxtone-Graham v. Burchaell*, 803 F.2d 1253, 1263 (2d Cir. 1986) (copying 4.3% deemed fair).

²⁴⁰ *See, e.g.*, *Harper & Row*, 417 U.S. at 564-66; *Elvis Presley Enters.*, 349 F.3d at 630; *Video Pipeline*, 342 F.3d at 201.

²⁴¹ *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 586-89 (1994); *see also Video Pipeline*, 342 F.3d at 201.

original work — often the most significant portions of it — to conjure up the original.²⁴²

Courts should be careful, however, to avoid making a third factor judgment based solely on their conclusion as to whether a secondary work is transformative. The fact that a work is transformative does not necessarily mean that it did not copy a large or important part of the original work. Moreover, some works may not transform the original work, even though they use only a small or insignificant portion of the original. Although a court's analysis of the third factor may include looking to whether the secondary work transformed the original, its finding on the third factor is not dependant on how it found on the "character" factor, and the two inquiries should be kept separate.

D. Revised Section 107 and the Purpose of the Use

R107 does away with the first prong of the first factor of existing section 107 — the purpose of the use. Typically, courts examine whether the use is for-profit, non-profit, or something in between. In *Campbell*, the Supreme Court spent considerable time criticizing the Sixth Circuit's analysis of this factor.²⁴³ The Court pointed out early in *Campbell* the relationship between the purpose and character portions of the first factor: "the more transformative the new work, the less will be the significance of the other factors, like commercialism, that may weigh against a finding of fair use."²⁴⁴ The Court took more wind out of the "commercial uses are evil" sails:

[A]s we explained in *Harper & Row*, *Sony* stands for the proposition that 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." [citations omitted]. But that is all, and the fact that even the force of that tendency will vary with the context is a further reason against elevating commerciality to hard presumptive significance.²⁴⁵

²⁴² *Campbell*, 510 U.S. at 588. See also *SunTrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257, 1273 (11th Cir. 2001) (involving the publication of *The Wind Done Gone*).

²⁴³ "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 ostensibly culled from *Sony*, that 'every commercial use of copyrighted material is presumptively . . . unfair' *Sony*, 464 U.S. at 451. . . . In giving virtually dispositive weight to the commercial nature of the parody, the Court of Appeals erred." 510 U.S. at 583-84.

²⁴⁴ 510 U.S. at 579.

²⁴⁵ *Id.* at 585.

The *Campbell* Court did not totally discount the purpose portion. But it did note that in *Sony* it called for a “sensitive balancing of interests,” that Congress “eschewed a bright line approach to fair use,” and that “the commercial or nonprofit educational character of a work is ‘not conclusive.’”²⁴⁶

The Second Circuit, in a decision written by Judge Newman (the author of *Texaco*), visited parody in 1998 in *Leibovitz v. Paramount Pictures Corp.*²⁴⁷ In this case, photographer Annie Leibovitz sought an injunction against an advertisement that parodied her famous *Vanity Fair* photo of a pregnant Demi Moore. Paramount commissioned another photographer to take a photo of another woman that “resembled in meticulous detail the one taken by Leibovitz”²⁴⁸ for use in an advertisement for the film *Naked Gun 33 1/3: The Final Insult*. Actor Leslie Nielsen’s face was digitally superimposed on the model’s body in the photo, with the caption “DUE THIS MARCH” promoting the film. The court ultimately held that the use was fair, even though the copying was done to advertise a product.²⁴⁹

The panel wrote that *Campbell* “illuminated the proper application of the first fair use factor,”²⁵⁰ and that a post-*Campbell* fair use analysis should focus on the character — or transformative — portion of the first factor. The court quickly found the ad to be transformative.²⁵¹ But then, the court apparently felt it necessary to inquire “whether Paramount’s advertisement ‘may reasonably be perceived’ as a new work that ‘at least in part, comments on’ Leibovitz’s photograph.”²⁵² It was not enough to find the ad transformative; there had to be more.

Although other courts have incorporated the enumerated uses in consideration of the character of the use (transformation), in *Leibovitz* we see the Second Circuit doing this even though it had already concluded that the ad was transformative. Judge Newman wrote that for parody to reach the level of comment and criticism favored under the statute, it needed to ridicule the original. Apparently parody and transformation were not enough; the ad had to be tested against the preamble. The panel ulti-

²⁴⁶ *Id.* at 584-85 (citing *Sony*, 464 U.S. at 455 n.40, 449 n.3, 448-49). The Court noted that “nearly all of the illustrative uses listed in the preamble paragraph of § 107 . . . ‘are generally conducted for profit in this country.’” (citation to *Harper & Row* omitted).

²⁴⁷ 137 F.3d 109 (2d Cir. 1998).

²⁴⁸ *Id.* at 111.

²⁴⁹ “[T]he use of a copyrighted work to advertise a product is a context entitling the copying work to ‘less indulgence’ than if it is marketed for its own worth.” *Id.* at 113 (quoting *Campbell*, 510 U.S. at 585).

²⁵⁰ *Id.* at 112.

²⁵¹ “Plainly the ad adds something new and qualifies as a ‘transformative’ work.” *Id.* at 114.

²⁵² *Id.* at 114 (quoting *Campbell*, 510 U.S. at 582, 580).

mately found that Leslie Nielsen's smirking face did meet that test.²⁵³ Having found that the ad made "a parodic comment on the original," the court, "after making some discount for the fact that it promotes a commercial product,"²⁵⁴ concluded that the first factor strongly favored the defendant.

After finding that the second factor (nature of the work copied) favored the plaintiff, and that the third (amount and substantiality) apparently was neutral,²⁵⁵ the court turned to the fourth factor. In this brief (but nonetheless confusing) segment of the decision, Newman began by writing that "Leibovitz all but concedes that the Paramount photograph did not interfere with any potential market for her photograph or for derivative works based upon it."²⁵⁶ But then he wrote that Leibovitz's "only argument for actual market harm is that [Paramount] deprived her of a licensing fee."²⁵⁷ The panel made short shrift of this argument (notably arriving at a result very different from Newman's *Texaco* decision), writing that Leibovitz was not entitled to a licensing fee for a work that otherwise qualifies as a fair use.²⁵⁸

Leibovitz may be a case that one would have preferred not to have seen how the sausage was made.²⁵⁹ The court seemed to know that it wanted to find the parodic advertisement a fair use, but its journey was sometimes tortuous. Perhaps its most meaningful consequence — at least for the authors of this article — is in providing further ammunition to do away with the "purpose" portion of the first factor.²⁶⁰

²⁵³ "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 sufficient 'comment' to tip the first factor in a parodist's favor." *Id.* (citing 510 U.S. at 583).

²⁵⁴ *Id.* at 115.

²⁵⁵ *Id.* at 115-16.

²⁵⁶ *Id.* at 116.

²⁵⁷ *Id.*

²⁵⁸ *Id.*

²⁵⁹ The comment that one ought not see how legislation and sausage are made has been attributed to Otto von Bismarck, to Mark Twain, and presumably to many others.

²⁶⁰ The Ninth Circuit's decision in *Dr. Seuss Enterprises v. Penguin Books*, 109 F.3d 1394 (9th Cir. 1997), illustrates some of the difficulties that come with the conflation of enumerated uses and transformation when analyzing the first fair use factor. Here, the appeals court reviewed the district court's preliminary injunction prohibiting publication and distribution of *The Cat Not in the Hat! A Parody by Dr. Juice*, which told the story of the O.J. Simpson murder trial borrowing the unique language and style of the famous Dr. Seuss book. The court wrote "[w]hile this inquiry does not specify which purpose might render a given use 'fair,' the preamble to § 107 pro-

VIII. CONCLUSION

We should not be surprised to see muddled, confusing, and inconsistent decisions interpreting the fair use exemption. When Congress drafted the Copyright Act of 1976, it acknowledged the impossibility of defining fair use. The House Judiciary Committee wrote the following: "Although the courts have considered and ruled upon the fair use doctrine over and over again, no real definition of the concept ever emerged. Indeed, since 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."²⁶¹

The dozen circuit court cases that have cited both *Campbell* and *Texaco* between 1997 and 2006 prove true the Judiciary Committee's statements that codifying fair use in the 1976 Act would not end common law ambiguity and lack of predictability.

The statement of the fair use doctrine in section 107 offers some guidance to users in determining when the principles of the doctrine apply. However, the endless variety of situations and combinations of circumstances that can arise in particular cases precludes the formulation of exact rules in the statute Beyond a very broad statutory explanation of what fair use is and some of the criteria applicable to it, the courts must be free to adapt the doctrine to particular situations on a case-by-case basis.²⁶²

The freedom courts have adapting fair use on a case-by-case basis — and the resulting jumbled fair use jurisprudence — makes it difficult for many users of copyrighted works to determine if they must receive permission or pay royalties, or instead, if the use is fair. Such ambiguity has a chilling effect on users, particularly when there exists some type of licensing regime. After thirty years, it is time to amend section 107 so that it achieves the purpose of copyright — a balance between the rights of creators and those of users that promotes the progress of science and the arts.

vides an illustrative, though not limitative, listing Under this factor, the inquiry is whether *The Cat NOT in the Hat!* Merely supersedes the Dr. Seuss creations, or whether and to what extent the new work is 'transformative,' i.e., altering *The Cat in the Hat* with new expression, meaning or message." *Id.* at 1399. The court found that the defendant's book mimicked Dr. Seuss' style but did not hold his style up to ridicule, and therefore it was a satire rather than a parody. And "[b]ecause there is no effort to create a transformative work with 'new expression, meaning, or message,' the infringing work's commercial use further cuts against the fair use defense." *Id.* at 1401.

²⁶¹ H.R. REP. NO. 94-1476, at 65 (1976).

²⁶² *Id.* at 66.

Now a Senior Judge on the U.S. Court of Appeals for the Sixth Circuit, Ronald Reagan appointee James L. Ryan wrote eloquently on the purpose of copyright in his dissent in *Princeton University Press v. Michigan Document Services, Inc.*

The guiding principle of the Copyright Act is that the financial earnings of original works be channeled exclusively to the creators of the works insofar — and *only* insofar — as they are necessary to motivate the creation of original works and do not excessively impede the advancement of science and the arts through the public dissemination of knowledge, research, scholarship, news-reporting, teaching, criticism, and the like.²⁶³

The authors are not sanguine that Revised Section 107 will solve all of the problems with twenty-first century fair use jurisprudence, or even many of them. But it does attempt to reflect what appellate court judges have written when they attempt to achieve a fair and optimal balance between the rights of those who create copyrighted works, and the benefits to society from the use of such works.

²⁶³ 99 F.3d 1381 at 1409 (Ryan, J., dissenting).

