

RECTIFYING FAIR USE AFTER *CARIOU V. PRINCE*:
REVIVING THE FORGOTTEN STATUTORY TEXT AND
REQUIRING THAT UNAUTHORIZED COPYING BE JUSTIFIED,
RATHER THAN MERELY “TRANSFORMATIVE”

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I. INTRODUCTION

Recent court decisions, epitomized by the Second Circuit’s majority opinion in *Cariou v. Prince*,¹ have applied the fair use doctrine in a manner that undermines the rights of copyright owners by permitting wholesale, unauthorized appropriation of their works, provided only that the otherwise infringing secondary use is perceived—by the judge or judges randomly assigned to hear a particular case—as being “transformative.” Applying this standard, courts have ruled in favor of appropriators of copyright owners’ works. Under *Cariou*, the determination of transformativeness is based on a subjective “side-by-side” comparison of the contents of the original and secondary works, without any consideration of the appropriator’s stated purpose. This analysis also fails to ask whether it was necessary to borrow the particular copyrighted work in the first place, let alone whether it was necessary to do so without paying a licensing fee.

Even though the word “transformative” is not found in the fair use statute, it has become a conclusory buzzword supplanting and rendering superfluous all of the statutorily enumerated factors, while providing neither guidance nor predictability to copyright owners or would-be secondary users. By equating transformative use with fair use, the emerging case law also imperils the copyright owner’s valuable right to license derivative works, such as motion picture versions of books, all of which, by definition, are transformative.

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1. 714 F.3d 694 (2d Cir. 2013), *cert. denied*, 134 S. Ct. 618 (2013).

This Article discusses how the entrenched and multi-pronged fair use doctrine gave way to the unitary “I know it when I see it”² approach. This Article will also discuss a solution to reverse this anomalous trend. The solution proposed in this Article—giving effect to the statutory text—would provide fair use protection only where there is a sufficient reason for copying a particular original work and where, because the market cannot be relied upon to allow a socially beneficial transfer of rights, the copying must be done without obtaining the copyright owner’s consent.

II. THE OBJECTIVES OF COPYRIGHT AND OF THE FAIR USE DOCTRINE

Copyright laws confer a limited monopoly in order “to motivate the creative activity of authors and inventors.”³ This monopoly protection, enacted by Congress under the power granted by the U.S. Constitution,⁴ “rewards the individual author in order to benefit the public.”⁵ “At common law, the property of the author . . . in his intellectual creation [was] absolute until he voluntarily part[ed] with [it].”⁶

The goal of incentivizing creativity and innovation by giving copyright holders exclusive rights to their works has long co-existed with the recognition that

[i]n truth, in literature, in science and in art, there are, and can be, few, if any, things, which, in an abstract sense, are strictly new and original throughout. Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before.⁷

The fair use doctrine, a judge-made rule developed to accommodate the tension between protecting creators of intellectual property and allowing others to express themselves by reference to copyrighted works (i.e., allowing them to copy those works without permission), “permits courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.”⁸

2. *Jacobellis v. Ohio*, 378 U.S. 184, 197 (1964) (Stewart, J., concurring) (addressing obscenity prosecution).

3. *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984).

4. U.S. CONST. art. I, § 8, cl. 8 (“The Congress shall have 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 . . .”).

5. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 546 (1985) (quoting *Sony*, 464 U.S. at 477 (Blackmun, J., dissenting)) (internal quotation marks omitted).

6. *Stewart v. Abend*, 495 U.S. 207, 236 (1990) (internal quotation marks and citation omitted).

7. *Emerson v. Davies*, 8 F. Cas. 615, 619 (C.C.D. Mass. 1845) (No. 4,436).

8. *Stewart*, 495 U.S. at 236 (internal quotation marks and citation omitted). An overly-rigid application of the copyright statute is also mitigated by the rule that an author may not copyright facts or

From its infancy, fair use has, in the words of Justice Story, who first enunciated the doctrine in this country, involved “the metaphysics of the law, where the distinctions are, or at least may be, very subtle and refined, and, sometimes, almost evanescent.”⁹ Nearly a century after Justice Story’s formulation, the fair use doctrine remained “the most troublesome in the whole law of copyright.”¹⁰

Prior to the enactment of the 1976 Copyright Act, the fair use doctrine developed through case law. As stated in one leading case, *Rosemont Enterprises, Inc. v. Random House, Inc.*, fair use was a “privilege in others than the owner of a copyright to use the copyrighted material in a reasonable manner without his consent, notwithstanding the monopoly granted to the owner.”¹¹ The justification for this privilege was found in the constitutional scheme itself, which granted “copyright protection in the first instance, to wit, ‘To Promote the Progress of Science and the Useful Arts.’ U.S. Const. art. 1, § 8.”¹² “To serve that purpose, ‘courts in passing upon particular claims of infringement must occasionally subordinate the copyright holder’s interest in a maximum financial return to the greater public interest in the development of art, science, and industry.’”¹³

Fair use was “a means of balancing the exclusive right of a copyright holder with the public’s interest in dissemination of information affecting areas of universal concern.”¹⁴ In striking this balance through a case-by-case approach,¹⁵ courts analyzed various factors.

Fair use was more likely to be found when the secondary use was for a non-profit, scientific, or other socially useful purpose “untainted by any commercial gain,”¹⁶ rather than a purely commercial purpose, such as a tobacco company’s use of language from a medical treatise in an

ideas; only the creative “expression” of facts or ideas is protected. *Harper & Row*, 471 U.S. at 547; see 17 U.S.C. § 102(b) (“In no case does copyright protection for an original work of authorship extend to any idea . . .”).

9. *Folsom v. Marsh*, 9 F. Cas. 342, 344 (C.C.D. Mass. 1841) (No. 4,901). Although *Folsom* first laid out the doctrine’s details, the appellation “fair use” did not appear until *Lawrence v. Dana*. 15 F. Cas. 26 (C.C.D. Mass. 1869) (No. 8,136); see *Am. Geophysical Union v. Texaco Inc.*, 802 F. Supp. 1, 10 n.8 (S.D.N.Y. 1992).

10. *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661, 662 (2d Cir. 1939) (per curiam).

11. 366 F.2d 303, 306 (2d Cir. 1966).

12. *Id.* at 307.

13. *Id.* (citation omitted).

14. *Meeropol v. Nizer*, 560 F.2d 1061, 1068 (2d Cir. 1977); see also *Wainwright Sec. Inc. v. Wall St. Transcript Corp.*, 558 F.2d 91, 94 (2d Cir. 1977).

15. *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1361 n.28 (Ct. Cl. 1973) (citing H.R. REP. NO. 83, at 29–37 (1967)), *aff’d per curiam by an equally divided court*, 420 U.S. 376 (1975).

16. *Id.* at 1354.

advertisement.¹⁷ Most cases, however, held that the mere circumstance that a secondary user “reaps economic benefits” or “is motivated in part by a desire for commercial gain” from the reproduction of copyrighted material “has no bearing on whether a public benefit may be derived from such a work.”¹⁸ Indeed, since all works “presumably are operated for profit,” and “both commercial and artistic elements are involved in almost every (work),” a commercial motive was normally held to be “irrelevant to a determination of whether a particular use of copyrighted material in a work which offers some benefit to the public constitutes a fair use.”¹⁹ To be sure, the secondary user’s commercial motivation was not always discounted, especially where the original was copied substantially verbatim,²⁰ or where the appropriated copyrighted portions were not the subject of the secondary use.²¹

Some courts distinguished fair use from copyright infringement by differentiating between productive use, which resulted in benefits to the public in addition to those produced by the original work, and ordinary use, where the copying had the same “intrinsic purpose” as the original.²² The utility of this distinction was eroded in *Sony Corp. of America v. Universal City Studios, Inc.*, where the Supreme Court held that it “cannot be wholly determinative.”²³ The preference for “productive” uses has now been restored to some extent by the current emphasis on whether a secondary use is “transformative.” Another factor considered by courts was whether secondary users needed to take the original copyrighted material in order to make their point. If appropriation of the original work was required, a finding of fair use was more likely.²⁴

The nature of the original work also was a factor in the fair use analysis. A finding of fair use was less likely if the original work was “creative, imaginative, and original,” or if it “represented a substantial investment of

17. *Henry Holt & Co. v. Liggett & Myers Tobacco Co.*, 23 F. Supp. 302, 304 (E.D. Pa. 1938).

18. *Rosemont*, 366 F.2d at 307; *see also* *New York Times Co. v. Roxbury Data Interface, Inc.*, 434 F. Supp. 217, 221 (D.N.J. 1977).

19. *Id.*

20. *Benny v. Loew’s Inc.*, 239 F.2d 532, 536 (9th Cir. 1956) (per curiam), *aff’d by an equally divided court sub nom.* *Columbia Broad. Sys. v. Loew’s Inc.*, 356 U.S. 43 (1958).

21. *MCA, Inc. v. Wilson*, 677 F.2d 180, 185 (2d Cir. 1981) (holding that under the law predating the 1976 Copyright Act, “if the copyrighted song is not at least in part an object of the parody, there is no need to conjure it up.”)

22. *See, e.g., Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963, 970–72 (9th Cir. 1981), *rev’d sub nom., Sony Corp. of America v. Universal City Studios*, 464 U.S. 417 (1984).

23. *Sony*, 464 U.S. at 455, n.40.

24. *Rosemont*, 366 F.2d at 307 (looking to whether the secondary work “requires some use of prior materials dealing with the same subject matter”); *see also* *New York Times v. Roxbury Data Interface, Inc.*, 434 F. Supp. 217, 222 (D.N.J. 1977); *Marvin Worth Prods. v. Superior Films Corp.*, 319 F. Supp. 1269, 1274 (S.D.N.Y. 1970).

time and labor.”²⁵ Courts also considered the amount of the original work that was taken, and held that even in parody cases, where it is necessary to “conjure up” the original in order to identify the object of the parodist’s ridicule,²⁶ excessive copying weighed against fair use.²⁷ Finally, the pre-1976 Copyright Act cases looked to whether the secondary work was in direct competition with the original work and was therefore likely to have an adverse effect on the copyright owner’s expectation of gain.²⁸

The 1976 Copyright Act, in codifying the judge-made fair use doctrine, was “intended to restate the [pre-existing] judicial doctrine of fair use, not to change, narrow, or enlarge it in any way.”²⁹

As codified in the 1976 Copyright Act,³⁰ the fair use provision began with a preamble, containing examples of secondary uses that had been found to be fair uses, and then listed four non-exclusive factors distilled from common law cases, which needed to be explored in assessing the fair use defense:

[T]he fair use of a copyrighted work . . . for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include –

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.³¹

25. *MCA*, 677 F.2d at 182; *see also* *Wainwright Sec. Inc. v. Wall St. Transcript Corp.*, 558 F.2d 91, 96 (2d Cir. 1977).

26. *Berlin v. E.C. Publ'ns*, 329 F.2d 541, 544 (2d Cir. 1964).

27. *Benny v. Loew's Inc.*, 239 F.2d 532, 537 (9th Cir. 1956).

28. *Rosemont*, 366 F.2d at 310–11; *see also* *Time, Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, 146 (S.D.N.Y. 1968).

29. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 549 (1985) (quoting H.R. REP. NO. 94-1476, at 66 (1976)).

30. 17 U.S.C. § 107.

31. These factors paralleled those set forth in Justice Story’s opinion in *Folsom v. Marsh*, 9 F. Cas. 342, 348 (C.C.D. Mass. 1841) (No. 4,901) (“[Courts] must often . . . look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.”).

III. TRANSFORMING THE FAIR USE DOCTRINE

One way codification failed to change fair use was that application of the doctrine remained unpredictable, inconsistent and often result-oriented. The codification of fair use in the 1976 Copyright Act provided little guidance to copyright owners or secondary users of copyrighted works as to what secondary uses were fair. This unpredictability prompted then-District Judge Pierre N. Leval to write an article in 1990,³² in which he concluded,

Judges do not share a consensus on the meaning of fair use. Earlier decisions provide little basis for predicting later ones. Reversals and divided courts are commonplace. The opinions reflect widely differing notions of the meaning of fair use. Decisions are not governed by consistent principles, but seem rather to result from intuitive reactions to individual fact patterns.³³

Believing that the fair use doctrine “need not be so mysterious or dependent on intuitive judgments,” Judge Leval set out to demonstrate that “[f]air use should be perceived not as a disorderly basket of exceptions to the rules of copyright, nor as a departure from the principles governing that body of law, but rather as a rational, integral part of copyright, whose observance is necessary to achieve the objectives of that law.”³⁴ Fair use was integral to copyright, Judge Leval posited, because “all intellectual creative activity is in part derivative” and “important areas of intellectual activity are explicitly referential.”³⁵ Accordingly, without the breathing space provided by the fair use doctrine, “[m]onopoly protection of intellectual property that impeded referential analysis and the development of new ideas out of old would strangle the creative process.”³⁶

Judge Leval’s enduring contribution to the evolution of the fair use doctrine is found in his discussion of the first statutory fair use factor, the purpose and character of the use, which he believed “raises the question of justification.”³⁷ He elaborated:

I believe the answer to the question of justification turns primarily on whether, and to what extent, the challenged use is transformative. The use must be productive and must employ the quoted matter in a different manner or for a different purpose from the original. A quotation of copyrighted material that merely repackages or republishes the original is

32. Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105 (1990).

33. *Id.* at 1106. As Judge Leval pointed out, five of the then-recent leading cases (including two in which his own “findings of fair use were rejected on appeal”) “were reversed at every stage of review.” *Id.* at n.9.

34. *Id.* at 1107.

35. *Id.* at 1109.

36. *Id.*

37. *Id.* at 1111.

unlikely to pass the test; in Justice Story's words, it would merely "supersede the objects" of the original. If, on the other hand, the secondary use adds value to the original—if the quoted matter is used as raw material, transformed in the creation of new information, new aesthetics, new insights and understandings—this is the very type of activity that the fair use doctrine intends to protect for the enrichment of society.³⁸

IV. THE SUPREME COURT'S ADOPTION OF THE TRANSFORMATIVE USE ANALYSIS

The Leval article was approvingly cited by the Second Circuit in a case holding that a book of abridgments of a popular television series was neither transformative nor fair use, and was mentioned in several other opinions.³⁹ Shortly thereafter, the Supreme Court adopted Judge Leval's article, particularly its discussion of transformative use, in *Campbell v. Acuff-Rose Music, Inc.*,⁴⁰ which involved an alleged parody of the Roy Orbison rock ballad, "Oh, Pretty Woman," by the rap group 2 Live Crew.

A. *The Examples in the Preamble*

The Supreme Court noted that the examples of fair use listed in the preamble ("for purposes such as criticism, comment, news reporting, teaching . . . scholarship, or research")⁴¹ were "illustrative and not limitative," and provided "only general guidance about the sorts of copying that courts and Congress most commonly found to be fair uses."⁴² Rather than jettisoning the examples in the preamble, the Court, in discussing the first fair use factor, "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes,"⁴³ stated that 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."⁴⁴

38. *Id.*

39. *Twin Peaks Prods., Inc. v. Publ'ns Int'l, Ltd.*, 996 F.2d 1366, 1375, 1376 (2d Cir. 1993); *see also New Era Publ'ns Int'l, ApS v. Carol Publishing Group*, 904 F.2d 152, 155 (2d Cir. 1990) (noting the article); *Am. Geophysical Union v. Texaco Inc.*, 802 F. Supp. 1, 15 (S.D.N.Y. 1992) (Leval, J.); *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522, 1530 (S.D.N.Y. 1991) (citing article for proposition that merely repackaging copyrighted material is neither productive nor transformative).

40. 510 U.S. 569 (1994).

41. 17 U.S.C. § 107.

42. *Campbell*, 510 U.S. at 577–78.

43. 17 U.S.C. § 107(1).

44. *Campbell*, 510 U.S. at 578–79.

B. The First Factor—Purpose and Character of the Use and Its Commerciality

The Supreme Court, in analyzing the “purpose and character” prong of the first fair use factor and borrowing Judge Leval’s reasoning, held the central purpose of this investigation is to see, in Justice Story’s words, whether the new work merely “supersede[s] the objects” of the original creation . . . or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is “transformative.”⁴⁵

Then, in addressing the other prong of the first factor—whether the secondary use is of a commercial nature or is for nonprofit educational purposes—the Court concluded 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.”⁴⁶

The Court retreated from its earlier language in *Sony v. Universal City Studios*, which held that “every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright,”⁴⁷ and declared “[t]he 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.”⁴⁸ As the Court stated, “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.’”⁴⁹

Critically, *Campbell* was a parody case. In its discussion of the first fair use factor, the Court held that “parody has an obvious claim to transformative value,” and that “parody, like other comment or criticism, may claim fair use under § 107.”⁵⁰ To qualify as fair use, the Court explained, 2 Live Crew’s alleged parody needed to be a commentary on the original that somehow held it up to ridicule.⁵¹ The Court continued,

45. *Id.* at 579 (citing Leval, *supra* note 32, at 1111).

46. *Id.*

47. 464 U.S. at 451.

48. *Campbell*, 510 U.S. at 584.

49. *Id.* (citation omitted).

50. *Id.* at 579.

51. *Id.* at 580.

If, on the contrary, the commentary has no critical bearing on the substance or style of the original composition, which the alleged infringer merely uses to get attention or to avoid the drudgery in working up something fresh, the claim to fairness in borrowing from another's work diminishes accordingly (if it does not vanish), and other factors, like the extent of its commerciality, loom larger.⁵²

To qualify as fair use, therefore, a claimed parody has to actually target an original work, rather than being, in the words of the concurring opinion, a “commercial takeoff . . . rationalized *post hoc* as a parody.”⁵³ According to the Court, “[t]he threshold question when fair use is raised in defense of parody is whether a parodic character may reasonably be perceived.”⁵⁴ It ultimately concluded that “2 Live Crew’s song reasonably could be perceived as commenting on the original or criticizing it, to some degree.”⁵⁵ The opinion did not explicitly identify the reasonable observer to whom this claim of parody had to be perceivable (e.g., whether it was the average music listener, the average person who listens to rap music, or nine Supreme Court justices who probably do not). Nor did it specify whether the “reasonably perceivable” standard applied, or should apply, in non-parody cases.

C. *The Second Factor—The Nature of the Copyrighted Work*

Turning to the second fair use factor, “the nature of the copyrighted work,”⁵⁶ the Court stated that this factor recognizes “that some works are closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish when the former works are copied.”⁵⁷ The Court held that a “creative expression for public dissemination,” such as the Roy Orbison song, “falls within the core of the copyright’s protective purposes.”⁵⁸ Stressing, however, that 2 Live Crew’s secondary use was found to be a parody, the Court determined that the second factor was neutral and “not much help in this case . . . since parodies almost invariably copy publicly known, expressive works.”⁵⁹ While parodies, by definition, normally mock well-known works, the Court did not explain why parodies would “almost invariably” target “expressive works,” as opposed to less creative, mundane works, which are nevertheless

52. *Id.*

53. *Id.* at 600 (Kennedy, J., concurring).

54. *Id.* at 582.

55. *Id.* at 583.

56. 17 U.S.C. § 107(2).

57. *Campbell*, 510 U.S. at 586.

58. *Id.*

59. *Id.*

copyrightable and potentially trigger infringement claims and fair use defenses if they are copied, as long as they possess “some minimal degree of creativity.”⁶⁰

D. The Third Factor—Amount and Substantiality of the Portion Used

Discussing the third fair use factor, “the amount and substantiality of the portion used in relation to the copyrighted work as a whole,”⁶¹ the Court stressed that the amount used had to be “reasonable in relation to the purpose of the copying.”⁶² This, in turn, required examination of the “persuasiveness” of the “justification for the particular copying done, and the enquiry will harken back to the first of the statutory factors, for, as in prior cases, we recognize that the extent of permissible copying varies with the purpose and character of the use.”⁶³ As with its discussion of the second factor, the Court’s analysis of the third factor pivoted on its finding that the secondary use was a parody. After reiterating the general rule that substantial copying, particularly of “the heart” of an original work, weighs against fair use, the Court declined to apply that rule to parody, stating,

Parody presents a difficult case. Parody’s humor, or in any event its comment, necessarily springs from recognizable allusion to its object through distorted imitation. Its art lies in the tension between a known original and its parodic twin. When parody takes aim at a particular original work, the parody must be able to “conjure up” at least enough of that original to make the object of its critical wit recognizable.⁶⁴

The Court concluded that 2 Live Crew took no more of the lyrics than was necessary to parody the original work and that the lower court had erred in holding that the third factor tilted against fair use.⁶⁵

60. *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991). (“To be sure, the requisite level of creativity is extremely low; even a slight amount will suffice.”).

61. 17 U.S.C. § 107(3).

62. *Campbell*, 510 U.S. at 586.

63. *Id.* at 586–87.

64. *Id.* at 587–88 (basing its conclusion that a parody must “conjure up . . . distinctive or memorable features” of the original work on a line of parody cases) (citing *Elsmere Music, Inc. v. Nat’l Broad. Co.*, 623 F.2d 252, 253 n.1 (2d Cir. 1980) (“[T]he concept of ‘conjuring up’ an original came into the copyright law . . . as a recognition that a parody frequently needs to be more than a fleeting evocation of an original in order to make its humorous point”); *Fisher v. Dees*, 794 F.2d 432, 439 (9th Cir. 1986) (“Like a speech, a song is difficult to parody effectively without exact or near-exact copying. If the would-be parodist varies the music or meter of the original substantially, it simply will not be recognizable to the general audience. This ‘special need for accuracy,’ provides some license for ‘closer’ parody.”).

65. *Campbell*, 510 U.S. at 589, 594.

E. The Fourth Factor—Effect of the Use upon the Potential Market

In addressing the fourth fair use factor, “the effect of the use upon the potential market for or value of the copyrighted work,”⁶⁶ the Court stated that courts were required “to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also ‘whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market’ for the original.”⁶⁷ The Court added that this “enquiry ‘must take account not only of harm to the original but also of harm to the market for derivative works.’”⁶⁸

The Court stated that when “the second use is transformative, market substitution is at least less certain, and market harm may not be so readily inferred.”⁶⁹ In the case of parody, harm to the market for the original work was unlikely, because a parody does not serve as a “substitute” for the original work (“supersed[ing] [its] objects”);⁷⁰ on the contrary, “the parody and the original usually serve different market functions.”⁷¹ Nor was it likely that a derivative market for parodies of “Oh, Pretty Woman” was harmed, because

[t]he market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop. Yet the unlikelihood that creators of imaginative works will license critical reviews or lampoons of their own productions removes such uses from the very notion of a potential licensing market.⁷²

However, the Court found there was another potential derivative market that could have been harmed—the market for non-parodic rap versions of “Oh, Pretty Woman.”⁷³ Because “fair use is an affirmative defense” in which the burden of proof lies with the party asserting the defense, 2 Live Crew had to show the absence of harm to the “market for rap derivatives.”⁷⁴ Neither party introduced any evidence on the likely impact of the parody on the potential rap market and the issue was remanded, because the Court found that “it is impossible to deal with the fourth factor except by recognizing that a silent record on an important factor bearing on fair use

66. 17 U.S.C. § 107(4).

67. *Campbell*, 510 U.S. at 590 (citations omitted).

68. *Id.* (citation omitted).

69. *Id.* at 591.

70. *Id.* (quoting Leval, *supra* note 32, at 1125).

71. *Id.*

72. *Id.* at 592.

73. *Id.* at 592–93.

74. *Id.* at 590.

disentitled the proponent of the defense, 2 Live Crew, to summary judgment.”⁷⁵

Even an absence of harm to the potential market for the original copyrighted work was not a “guarantee of fairness.”⁷⁶ On this point, the Court relied on a footnote in Judge Leval’s article: “Judge Leval gives the example of the film producer’s appropriation of a composer’s previously unknown song that turns the song into a commercial success; the boon to the song does not make the film’s simple copying fair.”⁷⁷ The Court cautioned that the fourth factor, “no less than the other three, may be addressed only through a ‘sensitive balancing of interests.’”⁷⁸ The Court again departed from one of its prior decisions—specifically, its statement in *Harper & Row* that the fourth factor “is undoubtedly the single most important element of fair use,”⁷⁹—when it emphasized that “[m]arket harm is a matter of degree, and the importance of this factor will vary, not only with the amount of harm, but also with the relative strength of the showing on the other factors.”⁸⁰

V. THE INTERPRETATION OF *CAMPBELL* IN *CARIOU V. PRINCE*

As a result of the Second Circuit’s decision in *Cariou v. Prince*⁸¹ and the Ninth Circuit’s decision in *Seltzer v. Green Day, Inc.* (which adopted *Cariou*’s approach),⁸² fair use threatens to swallow the rights of copyright owners to prevent unauthorized copying of their works in at least those two circuits. This is important because the Ninth and Second Circuits are the homes to major art centers and to the motion picture, television, music, technology, fashion and publishing industries. These decisions have imperiled copyright holders’ rights, particularly the exclusive right to license derivative works, by extending *Campbell*’s analysis, much of which relied

75. *Id.* at 594.

76. *Id.* at 590 n.21.

77. *Id.* (citing Leval, *supra* note 32, at 1124 n.84). Judge Leval stated:

Although the market factor is significant, the Supreme Court has somewhat overstated its importance. When the secondary use does substantially interfere with the market for the copyrighted work, as was the case in [*Harper & Row*], this factor powerfully opposes a finding of fair use. But the inverse does not follow. The fact that the secondary use does not harm the market for the original gives no assurance that the secondary use is justified. Thus, notwithstanding the importance of the market factor, especially when the market is impaired by the secondary use, it should not overshadow the requirement of justification under the first factor, without which there can be no fair use.

Leval, *supra* note 32, at 1124.

78. *Campbell*, 510 U.S. at 590 n.21 (citation omitted).

79. *Harper & Row, Publishers, Inc. v. Nation Enter.*, 471 U.S. 539, 566 (1985).

80. *Campbell*, 510 U.S. at 590, n.21.

81. *Cariou v. Prince*, 714 F.3d 694 (2d. Cir. 2013).

82. *Seltzer v. Green Day, Inc.*, 725 F.3d 1170, 1177–78 (9th Cir. 2013).

upon the peculiar nature of parodies, to cases involving non-parodic copying and by replacing the elaborate statutory fair use structure with a singular focus on one word: “transformative.” Significantly, the word transformative does not even appear in the text of the copyright statute’s fair use provision.⁸³ The transformative use standard has also become entirely subjective, dependent on the predilections of the particular judge or judges randomly assigned to a case. It further offers neither coherence nor guidance to copyright owners or potential secondary users.

A. *Factual Background of Cariou*

Patrick Cariou, a professional photographer, published a copyrighted book of black-and-white photographs, portraits of Rastafarians and tropical landscapes, which he took over the course of six years in Jamaica. Richard Prince, a well-known “appropriation artist,” used Cariou’s work without permission and created thirty collage paintings, which featured images torn from Cariou’s book. These images from Cariou’s book were sometimes displayed in their entirety, sometimes enlarged and partially painted over, and sometimes added to images appropriated from other sources.⁸⁴ The Gagosian Gallery in New York exhibited these paintings, where eight of them were sold for a total of \$10,480,000 and seven others were exchanged for valuable art created by well-known artists.⁸⁵

In his deposition, Prince testified that he had “no interest in the original meaning” of Cariou’s photographs, did not have a “message” he was communicating through his art, and “did not intend to comment on any aspects of [Cariou’s photographs] or on the broader culture.” Rather, his intent was to pay homage to certain other painters and “to create beautiful artworks which related to musical themes and to a post-apocalyptic screenplay he was writing.”⁸⁶

B. *The Examples in the Preamble*

In the district court, the defendants contended that Prince’s appropriation art was “akin” to the examples “identified in the preamble to § 107” and constituted fair use per se. The district court rejected that argument, holding that the preambular examples

83. See 17 U.S.C. § 107.

84. *Cariou*, 714 F.3d at 699–700.

85. *Id.* at 709.

86. *Cariou v. Prince*, 784 F. Supp. 2d 337, 349 (S.D.N.Y. 2011).

all have at their core a focus on the original works or their historical context, and all of the precedent this Court can identify imposes a requirement that the new work in some way comment on, relate to the historical context of, or critically refer back to the original works.⁸⁷

Because Prince's own testimony showed that he was not commenting on, putting into historical context, or criticizing Cariou's work, the district court held that he lacked transformative intent.⁸⁸

The Second Circuit, reversing in part and remanding the district court's grant of summary judgment in Cariou's favor, declined to use the preambular examples, reasoning that

[t]he law imposes no requirement that a work comment on the original or its author in order to be considered transformative, and a secondary work may constitute a fair use even if it serves some purpose other than those (criticism, comment, news reporting, teaching, scholarship and research) identified in the preamble to the statute.⁸⁹

The court's refusal to examine whether Prince's appropriation art was akin to the examples in the preamble ignored *Campbell's* suggestion that the analysis of the first fair use factor "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."⁹⁰

C. The First Factor—Purpose and Character of the Use and its Commerciality

1. The View of the Majority

Examining the first fair use factor, the purpose and character of the use, the Second Circuit majority discarded the district court's finding that Prince's deposition testimony showed that he lacked a transformative purpose⁹¹ and held that Prince's failure to "explain and defend his use as transformative" was "not dispositive."⁹² In the majority's view, rather than considering the secondary user's stated purpose, it was critical to examine the content of the secondary work: "What is critical is how the work in question appears to the reasonable observer, not simply what an artist might say about a particular piece or body of work."⁹³ Accordingly, the majority

87. *Id.* at 348–49.

88. *Id.* at 349.

89. *Cariou*, 714 F.3d at 706 (citations omitted).

90. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578–79 (1994).

91. *Cariou*, 784 F. Supp. 2d at 349.

92. *Cariou*, 714 F.3d at 707.

93. *Id.*

concluded, “Rather than confining our inquiry to Prince’s explanation of his artworks, we instead examine how the artworks may ‘reasonably be perceived’ in order to assess their transformative nature.”⁹⁴

Following the “instructive” lead of a then-recent Seventh Circuit decision, *Brownmark Films, LLC v. Comedy Partners*,⁹⁵ in which, as “viewed side-by-side,” an episode of *South Park* was a clear parody of the original work,⁹⁶ the majority in *Cariou* concluded that “‘the only two pieces of evidence needed to decide the question of fair use’” were the original and secondary works.⁹⁷ Applying that standard, and “looking at the artworks and the photographs side-by-side,” the majority held that twenty-five of the thirty paintings were transformative as a matter of law, because they “have a different character, give Cariou’s photographs a new expression, and employ new aesthetics with creative and communicative results distinct from Cariou’s.”⁹⁸

The majority elaborated on its perception that twenty-five of the thirty paintings were transformative, because they had a different observable character than Cariou’s original photographs: “Where Cariou’s serene and deliberately composed portraits and landscape photographs depict the natural beauty of Rastafarians and their surrounding environs, Prince’s crude and jarring works, on the other hand, are hectic and provocative.”⁹⁹ The paintings also were “between ten and nearly a hundred times the size of the photographs.”¹⁰⁰ Finally, “Prince’s composition, presentation, scale, color palette, and media are fundamentally different and new compared to the photographs, as is the expressive nature of Prince’s work.”¹⁰¹

The twenty-five paintings, which the majority perceived to be transformative, were found to be fair use, but the case was remanded for the five remaining paintings, which did “not sufficiently differ from the photographs of Cariou’s that they incorporate for us confidently to make a determination about their transformative nature as a matter of law.”¹⁰² By doing so, it allowed the district court to apply “the proper standard,” so that

94. *Id.* (quoting *Campbell*, 510 U.S. at 582).

95. 682 F.3d 687 (7th Cir. 2012).

96. *Id.* at 692.

97. *Cariou*, 714 F.3d at 707 (quoting *Brownmark*, 682 F.3d at 690).

98. *Id.* at 707–08.

99. *Id.* at 706.

100. *Id.*

101. *Id.*

102. *Id.* at 710–11.

the district court could make the fair use determination “in the first instance.”¹⁰³

The majority gave short shrift to the commerciality prong of the first factor, stating, “Although there is no question that Prince’s artworks are commercial, we do not place much significance on that fact due to the transformative nature of the work.”¹⁰⁴ This holding, despite the inability of the majority to determine whether five of the paintings were transformative (and fair use) or infringing, demonstrates that the commerciality prong of the first factor—which *Campbell* labeled as “one element of the first factor enquiry into its purpose and character”¹⁰⁵—has been written out of the statute.

2. The View of the Partial Dissent

Judge Wallace, of the Ninth Circuit, and sitting by designation, filed an opinion concurring in part and dissenting in part. His opinion took issue with the majority’s treatment of the first fair use factor, including the refusal to consider Prince’s testimony concerning his own purpose. He noted that, while testimony of this sort might typically be “self-serving,” earlier Second Circuit cases nevertheless relied on such statements.¹⁰⁶ Significantly, in one of those cases, *Blanch v. Koons*, Jeff Koons, another well-known contemporary artist, submitted an affidavit explaining that his intent in appropriating an advertisement from a glossy fashion magazine was to “comment” on the impact of slick fashion photography on popular culture.¹⁰⁷ In contrast to its disregard of Prince’s testimony, which was against his own interest and, therefore, inherently reliable, the court in *Blanch* found fair use and relied heavily on Koons’ self-serving affidavit. The court stated, “[W]e need not depend on our own poorly honed artistic sensibilities. Koons explained, without contradiction, why he used Blanch’s image”¹⁰⁸

The partial dissent also parted company with the majority over its view derived from *Brownmark* that “all the Court needs to do here to determine transformativeness is view the original work and the secondary work and, apparently, employ its own artistic judgment.”¹⁰⁹ While *Brownmark* was a

103. *Id.* at 712.

104. *Id.* at 708.

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

106. *Cariou*, 714 F.3d at 713 (Wallace, J., concurring in part and dissenting in part) (citing *Blanch v. Koons*, 467 F.3d 244 (2d Cir. 2006); *Castle Rock Entm’t, Inc. v. Carol Publ’g Grp., Inc.*, 150 F.3d 132 (2d Cir. 1998)).

107. *Blanch*, 467 F.3d at 255.

108. *Id.*

109. *Cariou*, 714 F.3d at 713 (Wallace, J., concurring in part and dissenting in part).

“clear case of parody”—so clear that fair use “was evident from even a ‘fleeting glance’ at the original and secondary works”—the transformativeness of Prince’s works could not “be so readily determined.”¹¹⁰ Judge Wallace would have remanded the entire case for a review by the district court of all thirty artworks, stating, “[W]hile I admit freely that I am not an art critic or expert, I fail to see how the majority in its appellate role can ‘confidently’ draw a distinction between the twenty-five works that it has identified as constituting fair use and the five works that do not readily lend themselves to a fair use determination.”¹¹¹

The partial dissent asked, “If the district court is in the best position to determine fair use as to some paintings, why is the same not true as to all paintings? Certainly we are not merely to use our personal art views to make the new legal application to the facts of this case.”¹¹² Judge Wallace alluded to Justice Holmes’ often-cited admonition,¹¹³ as quoted in *Campbell*: “[I]t would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of [a work], outside of the narrowest and most obvious limits.”¹¹⁴

D. The Second Factor—The Nature of the Copyrighted Work

While acknowledging that Cariou’s work was creative, the Second Circuit, quoting *Bill Graham Archives v. Dorling Kindersley Ltd.*,¹¹⁵ discounted this factor, because “just as with the commercial character of Prince’s work, this factor ‘may be of limited usefulness where,’ as here, ‘the creative work of art is being used for a transformative purpose.’”¹¹⁶ This argument originates from *Campbell*, where the Supreme Court held that the second factor was “not much help” in a parody case, “since parodies almost invariably copy publicly known, expressive works.”¹¹⁷

However logical it may be that a parody normally must ridicule a well-known and recognizable work, it does not follow that parodies, let alone non-parodic “transformative works,” must invariably mock creative or expressive, as opposed to banal, works. The Court in *Cariou* relied on *Bill*

110. *Id.* (internal citation omitted).

111. *Id.*

112. *Id.* at 713–14.

113. *Id.* at 714.

114. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 582 (1994) (quoting *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251 (1903) (Holmes, J.)).

115. 448 F.3d 605 (2d Cir. 2006).

116. *Cariou*, 714 F.3d at 710 (quoting *Bill Graham Archives v. Dorling Kindersley, Ltd.*, 448 F.3d 605, 612 (2d Cir. 2006)).

117. *Campbell*, 510 U.S. at 586.

*Graham Archives*¹¹⁸ as authority for the sweeping proposition that, even where parody is not involved, the use of a creative work for a transformative purpose does not disfavor fair use. The Court also relied on *Campbell*, which concluded that the creativity of the original work is irrelevant whenever there is a transformative secondary use. This conclusion rests upon a non sequitur since, even if, as stated in *Campbell*, parodies normally target creative works, there is no reason that a transformative use defined as adding “something new, with a further purpose or different character, altering the first with new expression, meaning, or message,”¹¹⁹ could not do so to an original work lacking in creativity.

By interpreting *Campbell* to remove creative works from the core of intended copyright protection where they have been “transformed,” the Second Circuit has effectively eliminated the second fair use factor in any case where there is a “transformative” secondary use, no matter how creative and deserving of protection the original work may be.¹²⁰

E. The Third Factor—Amount and Substantiality of the Portion Used

Once again forcing the square peg of parody into the round hole of transformative use, the *Cariou* court, paraphrasing *Campbell*, held that “[t]he secondary use ‘must be [permitted] to ‘conjure up’ at least enough of the original’ to fulfill its transformative purpose.”¹²¹ Thus, even though “[m]any of Prince’s works use[d] Cariou’s photographs . . . in whole or substantial part” and without “alter[ing] the source photograph[s] very much at all,” the third factor favored fair use, because “in twenty-five of his artworks, Prince transformed those photographs into something new and different and, as a result, this factor weighs heavily in Prince’s favor.”¹²²

The language from *Campbell* paraphrased in *Cariou* actually stated: “When parody takes aim at a particular original work, the parody must be able to ‘conjure up’ at least enough of that original to make the object of its critical wit recognizable.”¹²³ Prince, of course, was not attempting to make Cariou’s anonymous photographs recognizable; he was just using them as raw materials. Thus, the analogy of 2 Live Crew’s alteration of the famous,

118. See 448 F.3d at 612.

119. *Campbell*, 510 U.S. at 579.

120. Cf. *id.* at 586 (holding that creative works fall “within the core of the copyright’s protective purposes.”).

121. *Cariou*, 714 F.3d at 710 (quoting *Campbell*, 510 U.S. at 588) (emphasis added by Second Circuit majority).

122. *Id.*

123. *Campbell*, 510 U.S. at 588.

iconic Roy Orbison song in *Campbell* is inapt. Further, the majority found some of Prince's paintings were transformative precisely because "the entire source photograph is used but is also heavily obscured and altered to the point that Cariou's original is barely recognizable."¹²⁴

The circularity of this reasoning is apparent. While a parodist must be able to conjure up enough of an original work to make it recognizable enough for the audience to know what is being ridiculed, there is no reason a transformative secondary user who is not commenting on an original work must be permitted to conjure up a sufficient portion of that work to make it recognizable, or "barely recognizable." By extending the "conjure up" principle developed over many years in a line of parody cases to non-parodic appropriation, *Cariou* renders the third fair use factor meaningless and superfluous whenever a judge subjectively believes that a secondary work is "transformative."

F. The Fourth Factor—Effect of the Use upon the Potential Market

The Court stated that "our concern is not whether the secondary use suppresses or even destroys the market for the original work or its potential derivatives, but whether the secondary use *usurps* the market of the original work."¹²⁵ To determine whether Prince's paintings usurped Cariou's market, the Second Circuit looked to two factors: the comparative price points of the original and secondary works and the respective audiences for those works.

The court noted that Cariou did not aggressively market his work, sold only a handful of prints from the book to personal acquaintances, and the book, which was out-of-print, earned only \$8,000 in royalties.¹²⁶ Prince, on the other hand, sold some of the paintings for "two million or more dollars" and his work "appeal[ed] to an entirely different sort of collector than Cariou's."¹²⁷ The Court focused on the invitation list for a dinner hosted by the Gagosian Gallery for the opening of Prince's show, which

included a number of the wealthy and famous such as the musicians Jay-Z and Beyonce Knowles, artists Damien Hirst and Jeff Koons, professional football player Tom Brady, model Gisele Bundchen, *Vanity*

124. *Cariou*, 714 F.3d at 710.

125. *Id.* at 708 (quoting *Blanch v. Koons*, 467 F.3d 244, 258 (2d. Cir. 2006) (emphasis added by Second Circuit majority). *Blanch*, in turn, was quoting from *NXIVM Corporation v. Ross Institute*, a case in which there was no cognizable market harm because the copying was done in order to criticize and expose the copyright holder as a cult, rather than to usurp the quoted materials. 364 F.3d 471, 481–82 (2d Cir. 2004).

126. *Cariou*, 714 F.3d at 699, 709.

127. *Id.* at 709.

Fair editor Graydon Carter, *Vogue* editor Anna Wintour, authors Jonathan Franzen and Candace Bushnell, and actors Robert DeNiro, Angelina Jolie, and Brad Pitt.¹²⁸

Also, eight of Prince's artworks sold for a total of \$10,480,000 and seven others were exchanged "for works by painter Larry Rivers and by sculptor Richard Serra."¹²⁹

Seemingly bedazzled by this glittering array of celebrities, the Court overlooked the absence of any evidence that any of them even attended the dinner, let alone purchased any of the artworks. Conversely, the Court, in assuming that "Prince's audience is very different from Cariou's,"¹³⁰ largely disregarded the district court's finding that a gallery owner was planning to put on a show of 30 to 40 of Cariou's prints, with multiple copies to be sold "at prices ranging from \$3,000.00 to \$20,000.00, depending on size." The Court also seemed to disregard the evidence that Cariou's book was to be reprinted for a book signing during the show, but that the gallery owner discontinued those plans upon learning of Prince's show, "because she did not want to appear to be capitalizing on Prince's Paintings and did not want to show work which had been 'done already' at the nearby Gagosian Gallery."¹³¹

The Second Circuit dismissed this finding, substituting its own finding that although the gallery owner admittedly decided not to put on the show because it had been "done already,"¹³² her true motivation was that "she mistakenly believed that Cariou had collaborated with Prince on the Gagosian show."¹³³ Whatever the merits of the Second Circuit's finding, it fails to take into account the plausibly overlapping audiences for the two sets of works, or, even if the audiences were distinct, the palpable harm to Cariou's market, because he lost a potential outlet due to Prince's infringement.

As to potential harm to a derivative market, *Cariou* departs from *Campbell* in two ways. First, while *Campbell* concluded that "the derivative market for rap music is a proper focus of enquiry,"¹³⁴ the *Cariou* majority stated, "Contrary to the district court's conclusion, the application of this factor does not focus principally on the question of damage to Cariou's

128. *Id.*

129. *Id.*

130. *Id.*

131. *Cariou v. Prince*, 784 F. Supp. 2d 337, 353 (S.D.N.Y. 2011).

132. *Cariou*, 714 F.3d at 704.

133. *Id.* at 709.

134. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 593 (1994).

derivative market.”¹³⁵ Second, *Cariou* shifted the burden of proof, finding a lack of harm to *Cariou*’s derivative market because “[t]here is nothing in the record to suggest that *Cariou* would ever develop or license secondary uses of his work in the vein of *Prince*’s artworks.”¹³⁶ Resolving the absence of evidence on this point against *Cariou* is directly contrary to *Campbell*’s holding that the proponent of fair use had the burden of proof on the issue of harm to the potential rap derivative market: “[A] silent record on an important factor bearing on fair use disentitled the proponent of the defense, 2 Live Crew, to summary judgment.”¹³⁷

VI. THE FLAWS IN THE TRANSFORMATIVE USE STANDARD

A. A Consensus on the Application of the Standard Remains Elusive

Judge Leval’s seminal article was motivated, in part, by his view that judges “do not share a consensus on the meaning of fair use,” resulting in numerous “[r]eversals and divided courts,” and decisions that “are not governed by consistent principles, but seem rather to result from intuitive reactions to individual fact patterns.”¹³⁸ Twenty years after the adoption of Judge Leval’s reasoning by the Supreme Court in *Campbell*, fair use remains plagued by an absence of consensus, frequent reversals, divided courts, and a failure to uniformly apply the standard.

In addition to the reversal and partial dissent in *Cariou*, other recent leading fair use decisions involve reversals and divided courts, with the disagreement hinging on whether the secondary use was transformative.¹³⁹

135. *Cariou*, 714 F.3d at 708.

136. *Id.* at 709.

137. *Campbell*, 510 U.S. at 594.

138. Leval, *supra* note 32, at 1106.

139. See *Monge v. Maya Magazines, Inc.*, 688 F.3d 1164, 1185–88 (9th Cir. 2012) (Smith, J., dissenting) (disagreeing with majority, which reversed district court’s finding of fair use, as to whether magazine’s use of photographs qualified as news reporting and was transformative); *Bouchat v. Balt. Ravens Ltd. P’ship*, 619 F.3d 301, 320–21 (4th Cir. 2010) (Niemeyer, J., dissenting) (disagreeing with majority, which reversed district court’s finding of fair use, as to whether Baltimore Ravens’ depiction of the “Flying B” logo in highlight films was transformative); *Gaylord v. United States*, 595 F.3d 1364, 1385 (Fed. Cir. 2010) (Newman, J., dissenting) (disagreeing with majority, which reversed finding of fair use by court of federal claims, as to whether postage stamp of the Korean War Veterans Memorial was transformative because, as found by the trial court, it had a “new and different character” and depicted a “surrealistic environment with snow and subdued lighting where the viewer is left unsure whether he is viewing a photograph of statues or actual human beings.”) Cf. *Blanch v. Koons*, 467 F.3d 244, 262 (2d Cir. 2006) (Katzmann, J., concurring) (parting company with the majority’s discounting of the commercial nature of the secondary use where that use is not for one of the “archetypal purposes” specifically contemplated in the preamble to § 107 and noting that “consideration of a use’s commercial nature (unlike its ‘transformativeness’) is explicitly part of our statutory mandate”)

Inter-circuit disagreements are also prevalent. On a basic level, while the Second Circuit considers the first factor inquiry into transformativeness to be “the heart of the fair use inquiry,”¹⁴⁰ the Seventh Circuit has questioned *Campbell*’s endorsement of the transformative use standard. Thus, in *Ty, Inc. v. Publications International Ltd.*,¹⁴¹ a Seventh Circuit panel remarked that

copying that is complementary to the copyrighted work (in the sense that nails are complements of hammers) is fair use, but copying that is a substitute for the copyrighted work (in the sense that nails are substitutes for pegs or screws), or for derivative works from the copyrighted work, . . . is not fair use.¹⁴²

The *Ty* court went on to state that this “distinction between complementary and substitutional copying” is “sometimes—though as it seems to us, confusingly—said to be between ‘transformative’ and ‘superseding’ copies.”¹⁴³

More recently, in *Kienitz v. Sconnie Nation LLC*,¹⁴⁴ the Seventh Circuit downplayed the importance of the transformative use standard, contending that the Supreme Court had only “mentioned it” in *Campbell*:

The district court and the parties have debated whether the t-shirts are a “transformative use” of the photo—and, if so, just how “transformative” the use must be. That’s not one of the statutory factors, though the Supreme Court mentioned it in [*Campbell*]. The Second Circuit has run with the suggestion and concluded that “transformative use” is enough to bring a modified copy within the scope of §107.¹⁴⁵

Kienitz then took aim at the Second Circuit’s elevation of transformativeness: “We’re skeptical of *Cariou*’s approach, because asking exclusively whether something is ‘transformative’ not only replaces the list in §107 but also could override 17 U.S.C. §106(2), which protects derivative works.”¹⁴⁶

Kienitz not only conflicts with the Second Circuit’s focus on transformativeness, but also with other circuits as to the importance of the fourth factor. *Kienitz* contends that courts should “stick with the statutory list, of which the most important usually is the fourth (market effect).”¹⁴⁷

140. *Cariou*, 714 F.3d at 705 (quoting *Blanch*, 467 F.3d at 251).

141. 292 F.3d 512 (7th Cir. 2002).

142. *Id.* at 517.

143. *Id.* at 518.

144. 766 F.3d 756 (7th Cir. 2014).

145. *Id.* at 758.

146. *Id.* The danger that the transformative use standard will render superfluous the copyright owner’s right to create and license derivative works (which are, by statutory definition, transformative) is addressed *infra* Section V.B.

147. *Kienitz*, 766 F.3d at 758.

This view of the market effect's pre-eminent importance was the view expressed in *Harper & Row*, which described the market effect as "undoubtedly the single most important element of fair use,"¹⁴⁸ but this view was moderated by *Campbell*.¹⁴⁹ Other circuits appear not to share the Seventh Circuit's emphasis on the primacy of the market effect. In *Gaylord v. United States*, for instance, the Federal Circuit reversed a finding of fair use even though the copyright owner had suffered no market harm.¹⁵⁰ Similarly, in *Worldwide Church of God v. Philadelphia Church of God, Inc.*, the Ninth Circuit quoted Judge Leval's article for the proposition that, while "the market factor is significant," especially when the "secondary use does substantially interfere with the market for the copyrighted work, . . . the inverse does not follow" and the "fact that the secondary use does not harm the market for the original gives no assurance that the secondary use is justified."¹⁵¹ Even plaintiffs lacking any present desire or ability to sell their copyrighted works have prevailed in the Sixth and Ninth Circuits over a fair use defense on the grounds that the copying could adversely affect their potential markets in the event that they later changed their minds.¹⁵²

Finally, while the Second Circuit cases have banished the commerciality prong of the first fair use factor whenever the secondary use is "transformative,"¹⁵³ Sixth and Ninth Circuit decisions continue to adhere to *Sony's* admonition that "every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright."¹⁵⁴

148. *Harper & Row, Publishers, Inc. v. Nation Enter.*, 471 U.S. at 539, 566 (1985).

149. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 590, n.21 (1994) ("Market harm is a matter of degree, and the importance of this factor will vary, not only with the amount of harm, but also with the relative strength of the showing on the other factors.")

150. *Gaylord v. United States*, 595 F.3d 1364, 1375 (Fed. Cir. 2010).

151. 227 F.3d 1110, 1120 (9th Cir. 2000) (quoting Leval, *supra* note 32, at 1124) (internal quotation marks omitted).

152. See *Balsley v. LFP, Inc.*, 691 F.3d 747, 761 (6th Cir. 2012); *Monge v. Maya Magazines, Inc.*, 688 F.3d 1164, 1180–81 (9th Cir. 2012).

153. See, e.g., *Cariou v. Prince*, 714 F.3d 694, 708 (2d Cir. 2013).

154. *Balsley*, 691 F.3d at 760 (quoting *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 451 (1984)); *Monge*, 688 F.3d at 1176 (quoting *Sony*, 464 U.S. at 451).

B. The Transformative Use Standard Eviscerates the Copyright Owner's Exclusive Right to Authorize the Making of Derivative Works Based upon the Copyrighted Work

One of the important exclusive rights conferred upon copyright owners is the right to create or authorize others to create “derivative works.”¹⁵⁵ The Copyright Act defines a “derivative work,” as “a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted.”¹⁵⁶

In contrast to the statutory fair use provision found in § 107, which never employs the word “transformative,” the statutory definition of a derivative work expressly speaks of an original work being “transformed.” Determining fair use, therefore, based on transformativeness—consistent with Judge Leval’s theory that the first fair use factor requires a “justification” for copying and that the justification is supplied when the secondary use is “transformative”¹⁵⁷—carries with it, at the very least, the potential for confusion, as recognized by the Second Circuit.¹⁵⁸

To qualify as a derivative work, a work must be “independently copyrightable” and original. For a derivative work to be original, it must have “at least some substantial variation” from the underlying work and its “original aspects” must “be more than trivial.”¹⁵⁹ In criticizing *Cariou* as “a

155. 17 U.S.C. § 106(2).

156. 17 U.S.C. § 101.

157. Leval, *supra* note 32, at 1111.

158. See *Castle Rock Entm’t, Inc. v. Carol Publ’g Grp., Inc.*, 150 F.3d 132, 143 (2d Cir. 1998) (noting “potential source of confusion in our copyright jurisprudence over the use of the term ‘transformative’” but asserting that “[a]lthough derivative works that are subject to the author’s copyright transform an original work into a new mode of presentation, such works—unlike works of fair use—take expression for purposes that are not ‘transformative’”). More recently, in *Authors Guild v. Google, Inc.*, the Second Circuit stated, “The statutory definition suggests that derivative works generally involve transformations in the nature of *changes of form*.” 804 F.3d 202, 215 (2d Cir. 2015) (citing 17 U.S.C. § 101) (emphasis in original). “By contrast, copying from an original for the purpose of criticism or commentary on the original or provision of information about it, tends more clearly to satisfy *Campbell’s* notion of the ‘transformative’ purpose involved in the analysis of Factor One.” *Id.* at 215–16. Derivative works “ordinarily are those that re-present the protected aspects of the original work, *i.e.*, its expressive content, converted into an altered form, such as the conversion of a novel into a film, the translation of a writing into a different language . . . or other similar conversions.” *Id.* at 225 (internal citation omitted).

159. *Woods v. Bourne Co.*, 60 F.3d 978, 990 (2d Cir. 1995) (internal citations and quotation marks omitted); see 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 3.03[A], 3-8, 3-9-3-10 (2014) (holding that to qualify as a derivative work, “the additional matter injected in a prior work, or the manner of rearranging or otherwise transforming a prior work, must constitute more than a minimal

high water mark in the application of the transformative use doctrine to eviscerate section 106(2)'s derivative right," one leading treatise noted that the *Cariou* court's

expansive characterization of fair use necessarily implied a narrow conception of the derivative right: "Our conclusion should not be taken to suggest, however, that any cosmetic changes to the photographs would necessarily constitute fair use. A secondary work may modify the original without being transformative. For instance, a derivative work that merely presents the same material but in a new form, such as a book of synopses of television shows, is not transformative."¹⁶⁰

As Professor Goldstein explained, the *Cariou* majority's conclusion that twenty-five of Prince's paintings were transformative as a matter of law, because they have a "different character, give *Cariou*'s photographs a new expression, and employ new aesthetics with creative and communicative results distinct from *Cariou*'s"¹⁶¹ was "a description that could equally apply to the production of a great many acknowledged derivative works, such as a music video adapted from a series of photographs, a motion picture adapted from a novel, or a musical drama adapted from a play."¹⁶² As an example, Professor Goldstein pointed to *Stewart v. Abend*,¹⁶³ where the Supreme Court held that the performance of the Alfred Hitchcock film, *Rear Window*, "was not a fair use of the story, *It Had to Be Murder*, on which it was based," even though the producers of the film argued that "the story constituted only 20% of the motion picture's story line."¹⁶⁴ Further, there was no fair use of the story "even though the film possessed an aesthetic and a sensibility that distinguished it from the underlying story."¹⁶⁵

Another leading copyright treatise, *Nimmer on Copyright*, noted *Cariou*'s pinched view of the derivative work right, labeling *Cariou* "[e]mblematic of the almost limitless expansion of cases holding uses transformative," and explicitly referred to the majority's description of the transformative nature of Prince's paintings, stating,

It would be shocking for a studio to get away with spurning a license for the novel that it portrays in film, on the basis that it took a serene literary work and portrayed it in a crude and jarring fashion that was projected on

contribution" and "[i]n general, the applicable standard in determining the necessary *quantum* of originality is that of a 'distinguishable variation' that is more than 'merely trivial.'" (citations omitted).

160. 2 PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT § 12.2.2.1(c), at 12:37, 12:38 n.78.7 (3d ed. Supp. 2014) (quoting *Cariou v. Prince*, 714 F.3d 694, 708 (2d Cir. 2013)).

161. *Id.* at 12:38 (quoting *Cariou*, 714 F.3d at 708).

162. *Id.* at 12:38.

163. 495 U.S. 207, 236 (1990).

164. *Id.* at 238.

165. 2 GOLDSTEIN, *supra* note 160, at 12:38 n.78.7.

a screen over a hundred times larger than the underlying work. Yet the majority's logic in this case leads to just that conclusion.¹⁶⁶

Again alluding to the *Cariou* majority's analysis of transformativeness, the treatise continued,

Moreover, the hypothetical film inevitably must also incorporate "composition, presentation, scale, color palette, and media [that] are fundamentally different and new compared to the" book being dramatized; but those considerations, in the past, have never led to the blanket conclusion that it is fair use to produce an unauthorized film version of a literary composition.¹⁶⁷

While all of the exclusive rights listed in § 106 of the Copyright Act are subject to the fair use provision codified in § 107, the broad sweep of the transformative use standard, by fallaciously equating all transformative uses with fair uses, saps away the meaning of the right to create or license derivative works since those works, by definition, transform the preexisting works upon which they are based.¹⁶⁸ The Seventh Circuit recognized this fallacy in *Kienitz*, stating,

[t]o say that a new use transforms the work is precisely to say that it is derivative and thus, one might suppose, protected under §106(2). *Cariou* and its predecessors in the Second Circuit do not explain how every 'transformative use' can be 'fair use' without extinguishing the author's rights under §106(2).¹⁶⁹

Because the expansive view of transformative use extinguishes the statutory right to create and license derivative works, *Cariou* and its ilk "violate the canon against interpreting any statutory provision in a manner that would render another provision superfluous."¹⁷⁰

166. 4 NIMMER & NIMMER, *supra* note 159, at § 13.05[B][6], 13-224.16.

167. *Id.* (quoting *Cariou v. Prince*, 714 F.3d 694, 708 (2d Cir. 2013)).

168. All of the examples in the definition of "derivative works" mesh with *Campbell's* definition of a transformative secondary work as one that "adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message." *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994). While this is more obviously true with some examples (e.g., motion picture versions), taking the first example in the definition, a translation, Nimmer notes that "every sizable translation" will embody "distinguishable variations" from the original and that, with different translations of the same original work, "differences in nuance will invariably result." See 1 NIMMER & NIMMER, *supra* note 159, at § 3.03[A], 3-13 n.26.9. That is because "'the art of translation involves choices among many possible means of expressing ideas . . .'" *Id.* at p.3-14 (quoting *Merkos L'Inyonei Chinuch, Inc. v. Otsar Sifrei Lubavitch, Inc.*, 312 F.3d 94, 99 (2d Cir. 2002)). Moreover, contrary to the statement in *Castle Rock*, that derivative works that transform original works "take expression for purposes that are not 'transformative,'" a translation clearly has a transformative purpose: to enable someone who cannot read a particular language to read and comprehend a written work in another language. Cf. *Castle Rock Entm't, Inc. v. Carol Publ'g Grp., Inc.*, 150 F.3d 132 (2d Cir. 1998).

169. *Kienitz v. Sconnie Nation LLC*, 766 F.3d 756, 758 (7th Cir. 2014).

170. *Bilski v. Kappos*, 561 U.S. 593, 607-08 (2010).

C. The Transformative Use Standard, by Discarding the Statutory Text and Relying Entirely upon Judges' Subjective Observations, Produces Arbitrary, Incoherent and Result-Oriented Outcomes

While paying lip service to the preamble and to the four fair use factors, the cases employing the transformative use standard have increasingly neutered the statutory text, resulting in a finding of fair use whenever, in the subjective opinion of the judge or judges assigned to the case, the secondary work is deemed to be “transformative.”¹⁷¹ These cases offer neither predictability nor guidance to copyright owners or potential secondary users.

Judge Leval noted that “important areas of intellectual activity are explicitly referential” and “[m]onopoly protection of intellectual property that impeded referential analysis . . . would strangle the creative process.”¹⁷² The examples in the preamble to § 107 of the Copyright Act—criticism, comment, news reporting, teaching, scholarship, or research—are all “referential.” In other words, those endeavors all focus on and use copyrighted materials for a reason. Yet the courts in *Cariou* and similar cases pay no attention to the preambular examples and treat them as strictly illustrative.¹⁷³ The courts in these cases ignore *Campbell*'s suggestion that the fair use analysis “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.”¹⁷⁴

As a result, the *Cariou* majority never explored why Prince had to use *Cariou*'s specific photographs, even though he considered them to be generic¹⁷⁵, as opposed to other available equivalent materials. Nor, in *Seltzer v. Green Day*, did the Ninth Circuit ever examine why the plaintiff's *Scream Icon* street graffiti drawing, which said nothing about religion, had to be used by the defendants, with a large red spray-painted cross over the middle of the screaming face, as “raw material” in the construction of a video backdrop for a song by the rock band Green Day about the hypocrisy of religion.¹⁷⁶

171. As Nimmer points out, applications of the transformative use standard have been “conclusory—they appear to label a use ‘not transformative’ as a shorthand for ‘not fair,’ and correlatively ‘transformative’ for ‘fair.’ Such a strategy empties the term of meaning—for the ‘transformative’ moniker to guide, rather than follow, the fair use analysis, it must amount to more than a conclusory label.” 4 NIMMER & NIMMER, *supra* note 159, at § 13.05[A][1][b], 13-170. Nimmer added, “As one commentator laments, ‘the transformative use standard has become all things to all people.’” *Id.* (citation omitted).

172. Leval, *supra* note 32, at 1109.

173. *Cariou v. Prince*, 714 F.3d 694, 706 (2d Cir. 2013).

174. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578–79 (1994).

175. *Cariou v. Prince*, 784 F. Supp. 2d 337, 346 (S.D.N.Y. 2011).

176. *Seltzer v. Green Day, Inc.*, 725 F.3d 1170, 1173–77 (9th Cir. 2013).

The first fair use factor—the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes—has been all but obliterated. Although an appropriator’s stated purpose for using someone else’s copyrighted work had always been considered important,¹⁷⁷ the *Cariou* majority disregarded Prince’s testimony, which negated any transformative intent on his part, and instead looked at “how the work in question appears to the reasonable observer.”¹⁷⁸ The majority stated, “Rather than confining our inquiry to Prince’s explanation of his artworks, we instead examine how the artworks may ‘reasonably be perceived’ in order to assess their transformative nature.”¹⁷⁹

The context in which the Supreme Court in *Campbell* asked whether 2 Live Crew’s parody could reasonably be perceived was, however, quite different from the context in *Cariou*. In *Campbell*, 2 Live Crew’s stated purpose was to create a parody of the work.¹⁸⁰ In asking whether the character of the song could reasonably be perceived as a parody, the Court merely satisfied itself that the claimed parody was not a *post hoc* rationalization.¹⁸¹ Therefore, *Campbell* considered 2 Live Crew’s stated purpose, and the observable character of the song. The *Cariou* court, in contrast, narrowed the first fair use factor—the purpose and character of the use—to a singular inquiry, asking only whether Prince’s paintings had a transformative character, without any regard to Prince’s purpose.

Such an approach was a departure from prior cases, which focused on whether the secondary user had a transformative purpose, and not on determining whether the content of the original work had been transformed.¹⁸² The *Cariou* majority’s refusal to take Prince’s stated purpose

177. See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 562 (1985) (holding The Nation Magazine’s stated purpose was to scoop President Ford’s forthcoming memoirs, both in book form and as excerpted in Time Magazine); *Blanch v. Koons*, 467 F.3d 244, 255 (2d. Cir. 2006) (illustrating a case where the artist Jeff Koons claimed that his purpose in appropriating an advertisement from a glossy fashion magazine was to comment on the impact of slick fashion photography on popular culture); *Castle Rock Entm’t, Inc. v. Carol Publ’g Grp., Inc.*, 150 F.3d 142 (2d Cir. 1998) (describing the trivia book about Seinfeld, where the creators stated their purpose was to satisfy readers’ between-episode cravings).

178. *Cariou*, 714 F.3d at 707.

179. *Id.* (quoting *Campbell*, 510 U.S. at 582).

180. *Campbell*, 510 U.S. at 572.

181. *Id.* at 582 (“The threshold question when fair use is raised in defense of parody is whether a parodic character may reasonably be perceived.”).

182. R. Anthony Reese, *Transformativeness and the Derivative Work Right*, 31 COLUM. J. L. & ARTS 467, 484–85 (2008) (examining cases through 2007); see *Gaylord v. United States*, 595 F.3d 1364, 1373 (Fed. Cir. 2010) (reversing fair use finding after disagreeing with lower court, which concluded stamp was a “transformative work, having a new and different character and expression” than the Korean War Veterans Memorial, and holding that “both the stamp and the [Memorial] share a common purpose to honor veterans of the Korean War”); see also 2 GOLDSTEIN, *supra* note 160, at 12:38 (“Perhaps

into account drew criticism from the partial dissent, which believed that Prince's testimony should be considered. The dissent did not believe that "all the Court needs to do here to determine transformativeness is view the original work and the secondary work and, apparently, employ its own artistic judgment."¹⁸³ Judge Wallace, in his partial dissent, also "fail[ed] to see how the majority in its appellate role can 'confidently' draw a distinction between the twenty-five works that it has identified as constituting fair use and the five works that do not readily lend themselves to a fair use determination."¹⁸⁴

Nimmer joined in this criticism, stating,

It is also difficult to differentiate the 25 works determined to be fair use as a matter of law from the 5 that were remanded, as both categories portray the same iconic image captured by Cariou, covered by lozenges and surrounded by naked [women] supplied by Prince.¹⁸⁵

The criticism was amply justified, as seen by two of Prince's paintings:



Charlie Company



Back to the Garden

The painting shown above and to the left, *Charlie Company*, was remanded to the district court, because the majority could not "confidently"

recognizing that the [transformative use standard] . . . could seriously undermine the derivative right, some lower courts have skirted the risk by focusing not on the content of the allegedly infringing work, but on its purpose.")

183. *Cariou*, 714 F.3d at 713 (Wallace, J., concurring in part and dissenting in part).

184. *Id.*

185. 4 NIMMER & NIMMER, *supra* note 159, at § 13.05[B][6], 13-224.16.

determine whether it was transformative. The virtually identical, albeit smaller, painting on the right, *Back to the Garden*, was determined to be transformative as a matter of law, although the majority opinion contains no discussion of that particular painting.¹⁸⁶ There is no principled basis for this distinction.

The Court in *Campbell* did not clarify who the reasonable observer of original and secondary works is supposed to be. Neither did the Court in *Cariou*, although the reasonable observer clearly cannot be the average museum or gallery visitor, because that hypothetical person would not be seeing Cariou's "serene" original photographs and Prince's "crude and jarring" paintings "side-by-side."¹⁸⁷ That visitor would only be seeing Prince's "hectic and provocative" works¹⁸⁸ and would not see the original works or know whether, or to what degree, they had been "transformed." The reasonable observer also cannot be the jury, since summary judgment was granted in favor of Prince and Gagosian Gallery with respect to twenty-five paintings. It would appear, therefore, that the reasonable observers were the two judges in the majority, who agreed that twenty-five of the paintings were transformative.

The *Cariou* majority not only eliminated consideration of Prince's purpose from the first fair use factor's calculus, but also declined to take into account the obviously commercial nature of the secondary works, discounting the significance of the commerciality prong of the first factor "due to the transformative nature of the work."¹⁸⁹ Thus, the first fair use factor—which, in the Second Circuit, is "the heart of the fair use inquiry"¹⁹⁰—has been hollowed out and reduced to a subjective evaluation, by randomly-assigned judges, of whether the expressive character of the secondary work may "reasonably be perceived" to be "transformative."

As to the second and third fair use factors—the nature of the copyrighted work and the amount and substantiality of the portion used, respectively—*Cariou* relied on *Campbell*—which minimized the importance of those factors in a parody case for reasons that were specifically

186. *Cariou*, 714 F.3d 710–11; see Petition for Writ of Certiorari, *Cariou v. Prince*, No. 13-261, 2013 U.S. S. Ct. Briefs LEXIS 3474, at *App. 108 (U.S. Aug. 21, 2013) (containing the images of the paintings in Appendix F to the Petition for a Writ of Certiorari that was filed by Patrick Cariou but denied by the Court).

187. *Cariou*, 714 F.3d at 706–07.

188. *Id.* at 706.

189. *Id.* at 708.

190. *Id.* at 705 (quoting *Blanch*, 467 F.3d at 251).

applicable to parody—to hold that those factors may be disregarded whenever a secondary use is “transformative.”¹⁹¹

Turning to the fourth fair use factor, the *Cariou* court stated that it was not concerned about “whether the secondary use suppresses or even destroys the market for the original or its potential derivatives,” but only “whether the secondary use *usurps* the market of the original work.”¹⁹² As with its elimination of the preambular examples, the purpose and commerciality elements of the first factor, and the second and third factors in their entirety, *Cariou*’s approach to the market harm factor was narrowed by the concept of transformativeness: “Conducting this analysis, we are mindful that ‘[t]he more transformative the secondary use, the less likelihood that the secondary use substitutes for the original.’”¹⁹³ Not surprisingly, under this formulation, the court found that there was no usurpation of *Cariou*’s market, because *Cariou* and *Prince* had different markets, different audiences and different price points.¹⁹⁴

Even assuming, however, that the celebrities on *Gagosian Gallery*’s invitation list, or, more importantly, the well-heeled collectors who bought *Prince*’s paintings, would not have been interested in *Cariou*’s book of photographs or prints, it hardly follows that the gallery owner’s decision to discontinue plans for *Cariou*’s show when she became aware of the *Prince* show at the nearby *Gagosian Gallery* caused no harm to *Cariou*’s market. *Cariou*’s market still could have been harmed, because other potential buyers might have attended that show, bought prints or the reprinted book, and spread the word to other potential buyers. There is no basis for concluding that a secondary use can only harm the market for the original, or its derivatives, if the secondary use usurps a precisely identical use that the copyright owner would have pursued.¹⁹⁵ Significantly, the fair use statute describes the fourth factor as looking to “the effect of the use upon the potential market for or value of the copyrighted work[.]” and not whether the

191. *Id.* at 710.

192. *Id.* at 708 (citation omitted) (emphasis added by Second Circuit majority).

193. *Id.* at 709 (quoting *Castle Rock Entm’t, Inc. v. Carol Publ’g Grp., Inc.*, 150 F.3d 132, 145 (2d Cir. 1998)).

194. *Id.* at 699, 709.

195. See *Henley v. DeVore*, 733 F. Supp. 2d 1144, 1163 (C.D. Cal. 2010) (holding that a politician’s unauthorized use of a copyrighted song in his campaign could harm the copyright owner, who was himself neither considering running for office nor allowing other political candidates to use the song, because “licensees and advertisers do not like to use songs that are already associated with a particular product or cause”). The parallel to the gallery owner in *Cariou*, who discontinued plans for a show of *Cariou*’s prints “because she did not want to appear to be capitalizing on *Prince*’s Paintings and did not want to show work which had been ‘done already’ at the nearby *Gagosian Gallery*” is unmistakable. See *Cariou*, 784 F. Supp. 2d at 344, 353.

secondary use completely usurps, supplants or supersedes the market for the original.¹⁹⁶ Similarly, Justice Story's seminal formulation of the fourth fair use factor referred to "the degree in which the use may prejudice the sale, or diminish the profits, *or* supersede the objects, of the original work."¹⁹⁷

Once again, the *Cariou* court's crabbed view of the fair use factors, particularly the fourth factor, has been criticized by Nimmer:

[I]f a novelist were about to sign a contract with a studio to make her bestseller into a blockbuster motion picture, only to discover that a rival studio had beat them both to the punch by distributing its own unauthorized film version, surely there would be an effect on the potential market for the novel that is cognizable under the fourth factor. It would scarcely mitigate that harm to point out that the film's audience may be very different from the novelist's. Moreover, that the first studio might have mistakenly concluded that the novelist had licensed its rival studio would in no way diminish the harm that plaintiff had suffered to her potential market.¹⁹⁸

The version of fair use in which all that matters is the subjective views of judges as to whether secondary uses are reasonably perceivable as "transformative" inevitably brings with it other subjective predilections that can lead to result-oriented decisions. By way of example, in *Cariou*, the majority shifted the burden of proof, deciding against *Cariou* for not presenting evidence as to whether he "would ever develop or license secondary uses of his work in the vein of Prince's artworks."¹⁹⁹ This ran afoul of *Campbell*, where the Court imposed upon 2 Live Crew, the proponent of the affirmative defense of fair use, the burden of establishing that there was no harm to a potential derivative market—there, the market for rap versions of the Orbison song.²⁰⁰

Judges' subjective preferences should not enter into the fair use analysis. Where one panel may be star-struck by an artist's wealthy patrons, another may be repulsed. In *Cariou*, Nimmer believed that "[s]trangely, rather than recognizing plaintiff's legitimate copyright interests, this opinion all but punished plaintiff for his anonymity, concomitantly rewarding defendant for rubbing shoulders with the glitterati."²⁰¹ On the other hand, diametrically opposed to *Cariou*, the court in a pre-*Campbell* case, *Rogers v. Koons*, penalized the artist Jeff Koons for his commercial success, stating,

196. 17 U.S.C. § 107.

197. *Folsom v. Marsh*, 9 F. Cas. 342, 348 (C.C.D. Mass. 1841) (No. 4,901) (emphasis added).

198. 4 NIMMER & NIMMER, *supra* note 159, at § 13.05[B][6], 13-224.16.

199. *Cariou*, 714 F.3d at 709.

200. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 590, 594 (1994).

201. 4 NIMMER & NIMMER, *supra* note 159, at § 13.05[B][6], 13-224.17.

The copying was so deliberate as to suggest that defendants resolved so long as they were significant players in the art business, and the copies they produced bettered the price of the copied work by a thousand to one, their piracy of a less well-known artist's work would escape being sullied by an accusation of plagiarism.²⁰²

The fair use analysis should neither reward nor punish secondary users based on their proximity to wealth and fame. Thus, a more objective fair use standard is needed.

As Nimmer concluded regarding *Cariou*: “In short, it is difficult to know what metric the court was applying in blessing art appropriation as transformative usage,” but

this case seemingly expands transformative usage without limit—as long as the duplication is not 100%, it may ‘move[] the work in a different direction’ that thereby qualifies as fair use. It would seem that the pendulum has swung too far in the direction of recognizing any alteration as transformative, such that this doctrine now threatens to swallow fair use. It is respectfully submitted that a correction is needed in the law.²⁰³

VII. A SECONDARY USE SHOULD BE CONSIDERED JUSTIFIED ONLY
WHERE THE SECONDARY USER NEEDS TO COPY A PARTICULAR ORIGINAL
WORK FOR SOME REASON AND NEEDS TO DO SO WITHOUT HAVING TO
ACQUIRE A LICENSE

Fair use can be rectified by moving away from the idea that unauthorized copying is justified whenever the secondary work is transformative. Instead, the court should only find justification where the secondary user needs to copy an original work for a specific reason, and needs to do so without the copyright owner's consent, for market reasons. Employing this objective market-based approach takes guidance from the fair use statute's preambular examples and restores meaning to all four fair use factors.

A. A Market-Based Approach

Quintessential examples of fair use, many falling within the categories listed in the preamble to the fair use provision, “would not be possible if users always had to negotiate with copyright proprietors. Many copyright owners would block all parodies, for example, and the administrative costs

202. *Rogers v. Koons*, 960 F.2d 301, 303 (2d Cir. 1992).

203. 4 NIMMER & NIMMER, *supra* note 159, at § 13.05[B][6], 13-224.16, 13-224.18 (quoting *Cariou*, 714 F.3d at 711).

of finding and obtaining consent from copyright holders would frustrate many academic uses.”²⁰⁴ When, however, the market functions efficiently, fair use is not necessary, because the market can and should be relied upon to facilitate socially desirable transfers of copyrights to secondary users who will maximize the value of those rights.

Thus, in *Harper & Row*, the Supreme Court rejected the fair use defense asserted by The Nation Magazine, which had scooped and published excerpts of President Ford’s memoirs, stating, “Economists who have addressed the issue believe the fair use exception should come into play only in those situations in which the market fails or the price the copyright holder would ask is near zero.”²⁰⁵ Fair use was not necessary in *Harper & Row*, due to the “fully functioning market that encourages the creation and dissemination of memoirs of public figures. In the economists’ view, permitting ‘fair use’ to displace normal copyright channels disrupts the copyright market without a commensurate public benefit.”²⁰⁶

In the view of Professor Gordon, one of the authorities cited by *Harper & Row*, markets do not always function adequately and sometimes fail “to mediate public interests in dissemination and private interests in remuneration.”²⁰⁷ Fair use, in her opinion, should be restricted to those instances where the secondary user cannot negotiate a license with the copyright owner, and “courts should limit their grants of fair use to those occasions in which the market cannot be relied upon to allow socially beneficial uses to occur.”²⁰⁸ In this way, “fair use [permits] uncompensated transfers that are socially desirable but not capable of effectuation through the market.”²⁰⁹ According to another commentator,

Fair use limits the rights of the copyright holder by allowing unauthorized copying in circumstances that are roughly consistent with promoting economic efficiency. One such circumstance involves high transaction costs . . . [which] [could] prevent an otherwise beneficial exchange from taking place.²¹⁰

204. *Kienitz v. Sconnie Nation LLC*, 766 F.3d 756, 759 (7th Cir. 2014) (internal parentheses omitted).

205. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566 n.9 (1985).

206. *Id.*

207. Wendy J. Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors*, 82 COLUM. L. REV. 1600, 1613 (1982).

208. *Id.* at 1620–21.

209. *Id.* at 1601.

210. William M. Landes, *Copyright, Borrowed Images, and Appropriation Art: An Economic Approach*, 9 GEO. MASON L. REV. 1, 10 (2000).

As Professor Goldstein asserted, the four fair use factors, tracing their lineage back to Justice Story's opinion in *Folsom v. Marsh*,²¹¹ are intended to determine when "an undisputed statutory right should nonetheless be withheld for reasons of transaction costs or social benefit,"²¹² because "[a] central aim of fair use is to promote uses of copyrighted works in situations where transaction costs would otherwise disable them."²¹³

B. Taking Guidance from the Examples in the Preamble

In *Folsom*, Justice Story gave an example of fair use, positing that "no one can doubt that a reviewer may fairly cite largely from the original work, if his design be really and truly to use the passages for the purposes of fair and reasonable criticism."²¹⁴ Modern courts and commentators have articulated the justification for this paradigmatic example of fair use.

The Seventh Circuit explained that book reviewers did not have to obtain an author's consent before copying from the book being reviewed, because

[q]uite apart from the impairment of freedom of expression that would result from giving a copyright holder control over public criticism of his work, to deem such quotation an infringement would greatly reduce the credibility of book reviews, to the detriment of copyright owners as a group²¹⁵

Requiring consent would also impair a socially beneficial use:

Book reviews would no longer serve the reading public as a useful guide to which books to buy. Book reviews that quote from ('copy') the books being reviewed increase the demand for copyrighted works; to deem such copying infringement would therefore be perverse, and so the fair-use doctrine permits such copying.²¹⁶

As Professor Landes explained, the same is true of a review of an art exhibition that reproduces copyrighted images from the show being reviewed. Such use "will provide useful information to consumers that, on average, will tend to expand the demand for the underlying works. Moreover, if the law required the reviewer to obtain the artist's consent to reproduce these images, readers would have less confidence in the objectivity of the review."²¹⁷

211. 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4,901).

212. 2 GOLDSTEIN, *supra* note 160, at 12:36.

213. *Id.* at 12:34.

214. *Folsom*, 9 F. Cas. at 344.

215. *Ty, Inc. v. Publ'ns Int'l*, 292 F.3d 512, 517 (7th Cir. 2002).

216. *Id.*

217. Landes, *supra* note 210, at 10.

Reviews of books, art exhibitions, or any other creative work clearly illustrate the validity of the market-based approach to fair use for the following reasons: (1) the reviewer, for optimum treatment of the subject, needs to copy from the original work in order to make the review useful for the public; and (2) the copying needs to be without consent, because if copyright owners could pick and choose between reviewers, the reviews would lose their credibility, and therefore, their utility. Requiring consent from the copyright owner in this area would impose an insuperable transaction cost that would disable the socially beneficial activity of criticism.

Parody, like a review, is also a form of comment or criticism, fitting within the preamble to § 107, and has a strong claim to fair use, because the parodist needs to “conjure up” the original work in order to insure the audience will recognize the work that is being ridiculed. Copyright owners, however, will be unlikely to license mocking portrayals of their own work.²¹⁸ Therefore, according to Seventh Circuit Judge Richard A. Posner, “There is an obstruction when the parodied work is a target of the parodist’s criticism, for it may be in the private interest of the copyright owner, but not in the social interest, to suppress criticism of the work.”²¹⁹ Where copyright owners are reluctant to license secondary works “not for economic gain but to control the flow of information” and to avoid having their works criticized, there is “a type of market failure” that favors extending fair use treatment to the parody or other critical work.²²⁰ In the case of a parody which targets the parodied work, the parodist needs to copy the particular work being ridiculed and needs to do so without obtaining consent, since a license will be unavailable, even though the humorous send-up has a social benefit.

Fair use is similarly justified in cases of non-parodic political or cultural criticism, where attacking an opposing point of view often can be most effectively accomplished through copying, and a license from the copyright owner will be unavailable. Therefore, it was fair use to copy a publicity photograph in a pro-nuclear energy advertisement depicting “a woman [dairy farmer] and a cow standing framed against a blue sky with fluffy clouds in a field of yellow clover,” with a text claiming that the farmer values nuclear energy as a way to keep the air clean and the milk fresh, while describing a harmonious relationship with the nearby nuclear power plant, “to criticize

218. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 592 (1994); *Kienitz v. Sconnie Nation LLC*, 766 F.3d 756, 759 (7th Cir. 2014).

219. Richard A. Posner, *When Is Parody Fair Use?*, 21 J. LEGAL STUDIES 67, 73 (1992) (emphasis removed).

220. Gordon, *supra* note 207, at 1633.

efforts by the power industry to promote a sunny view of nuclear energy in the public forum,” with the photograph providing “a perfect illustration of those efforts.”²²¹ It also was fair use to use a clip from John Lennon’s iconic song, *Imagine*, envisioning a world without religion, in a film juxtaposing marching soldiers and an image of Stalin, in order to show that secular utopian views are naïve and ultimately result in dictatorship.²²² In both of these cases, the original work perfectly illustrated the secondary user’s point and copying without consent was acceptable, since a license would not have been granted.

Where, however, the original work is being used as a “weapon” rather than a “target,” such as in a satire using a copyrighted work to make fun of a genre or society, fair use is problematic.²²³ As noted in *Campbell*, “Parody needs to mimic an original to make its point, and so has some claim to use the creation of its victim’s (or collective victims’) imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing.”²²⁴ With satire, because the object of ridicule is not the copyright owner or her work, a voluntary transaction is less unlikely, and alternative equivalents may well be available. As Professor Landes explained,

The economic rationale for this distinction rests on the idea of high transaction costs preventing a value maximizing exchange. When the parody targets the plaintiff’s work, the parties are unlikely to come to terms on a price that allows the defendant to make fun [of], embarrass, or even humiliate the plaintiff’s work. But such a use may provide substantial benefits to third parties.²²⁵

In the case of a satire, where the original work is used as a weapon, the case for fair use is much weaker: “On the other hand, if the defendant uses the parodied work as a weapon to comment on society, he should have little trouble licensing the work. Moreover, if the copyright holder refuses, he can come to terms with another copyright holder of an equally usable work.”²²⁶ This distinction between parody and satire again demonstrates that for a work to qualify as fair use, the secondary user must have a need to copy the

221. *Baraban v. Time Warner, Inc.*, 99 Civ. 1569 (JSM), 2000 U.S. Dist. LEXIS 4447, at *2, *6–7 (S.D.N.Y. Apr. 6, 2000).

222. *Lennon v. Premise Media Corp.*, 556 F. Supp. 2d 310, 322–23 (S.D.N.Y. 2008).

223. Posner, *supra* note 219, at 73, 77–78.

224. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 580–81 (1994).

225. Landes, *supra* note 210, at 21.

226. *Id.*

particular original work and must also have a need to do so without obtaining the copyright owner's consent, since a license is unlikely to be available.²²⁷

Other preambular examples, such as teaching, scholarship and research, involve potentially willing licensors, but insurmountable transaction costs in locating and bargaining with them. In all of these instances, which benefit the public, "the confluence of two variables is likely to produce a market barrier: high transaction costs and low anticipated profits."²²⁸ Like scholarship, which would not be feasible if a licensing fee had to be paid to every quoted source, teaching, not only faces prohibitively high transaction costs, but also practical obstacles. Whether the copies for classroom use are photocopied or included in a PowerPoint presentation, "[t]he inspiration and decision to use the work and the moment of its use for maximum teaching effectiveness are so close in time that it would be unreasonable to expect a timely reply to a request for permission."²²⁹

Similarly, research, while socially beneficial, tends to have transaction costs, such as locating and bargaining with multiple copyright owners, that are "prohibitively high" compared to the profit to be made.²³⁰ In *Kelly v. Arriba Soft Corp.*, an Internet search engine "crawled" the web to capture images and make low-resolution thumbnail versions available as a means of indexing and improving access to those images.²³¹ Because the defendant did not sell or license the low-resolution thumbnails, the profits were limited to advertising revenues on its website, which would likely be inadequate to pay for licenses for the thousands of images the search engine made available.²³² Requiring an Internet search engine to pay licensing fees to all of the copyright owners whose works were displayed in order to facilitate research by third parties would vitiate this activity even though it serves a public interest, and benefits the copyright owners themselves.²³³

227. Application of this standard would probably require a different result in *Blanch*, where Jeff Koons satirically used an advertisement from a glossy fashion magazine to comment on society and the effect of slick fashion photography on public perceptions and admitted he could have used an alternative image in his painting. *Blanch v. Koons*, 467 F.3d 244, 247, 248, 254–55 (2d Cir. 2006). On the other hand, parodic depictions of the iconic Barbie doll in nude, sexualized poses with kitchen appliances would be fair use, as found in *Mattel Inc. v. Walking Mountain Productions*, 353 F.3d 792, 796 (9th Cir. 2003).

228. *Gordon*, *supra* note 207, at 1628; *Kienitz v. Sconnie Nation LLC*, 766 F.3d 756, 759 (7th Cir. 2014) ("[T]he administrative costs of finding and obtaining consent from copyright holders would frustrate many academic uses."):

229. *Gordon*, *supra* note 207, at 1628 (quoting H.R. REP. NO. 1476, at 65, 69 (1976)).

230. *Id.* at 1618.

231. 336 F.3d 811, 815, 818 (9th Cir. 2003).

232. *Id.* at 816, 821–22.

233. To be sure, if the putative research tool is, in fact, copying the original materials excessively in order to exploit their aesthetic virtues, rather than serving as a guide, justification is lacking and fair use should be denied. *See Warner Bros. Entm't Inc. v. RDR Books*, 575 F. Supp. 2d 513, 544, 547–48

Some courts, both before and after *Cariou*, have approved unauthorized copying that enables users to search for information on the grounds that a transformative purpose is being served. *Kelly* itself emphasized that the search engine served a different function or purpose than the original aesthetic works.²³⁴ The same reasoning was applied in *Perfect 10, Inc. v. Amazon.com, Inc.*, where a search engine's copying of website images in order to create an Internet search index was transformative because, unlike the original works, which had "an entertainment, aesthetic, or informative function," the search engine "transforms the image into a pointer directing a user to a source of information."²³⁵

Two post-*Cariou* Second Circuit decisions have taken the same approach as the Ninth Circuit in *Kelly* and *Perfect 10*. In *Authors Guild, Inc. v. HathiTrust*, the Second Circuit held that the systematic digitization of copyrighted books by several research universities had a transformative purpose, because the digital copies were used to create a full-text searchable database that supplied users with lists of page numbers and not with copies of the original works. The court found this database with solely the page numbers served a different purpose than the original works.²³⁶ And, in *Authors Guild, Inc. v. Google, Inc.*, the Second Circuit recently approved as fair use Google's agreements with several major research libraries to digitally copy tens of millions of books in their collections and create a database of books and text available for online searching through the use of "snippets."²³⁷ This database was considered fair use because Google's book project expanded public access to books, without serving as a substitute that could be used actually to read the books in their entirety.²³⁸ As the Court held, "Google's making of a digital copy to provide a search function is a transformative use, which augments public knowledge by making available information *about* Plaintiffs' books without providing the public with a substantial substitute for matter protected by the Plaintiffs' copyright interests in the original works or derivatives of them."²³⁹

It seems evident, however, that secondary uses such as these, which further the underlying purpose of copyright, to promote learning, and which

(S.D.N.Y. 2008) (defendant's "Lexicon," a tool for searching *Harry Potter* novels, borrowed excessively and without restraint from the originals, exploiting their expressive value, rather than merely serving as a research tool).

234. *Kelly*, 336 F.3d at 819–20.

235. 508 F.3d 1146, 1165 (9th Cir. 2007).

236. *Authors Guild, Inc. v. HathiTrust*, 755 F.3d 87, 97 (2d Cir. 2014).

237. *Authors Guild v. Google, Inc.*, 804 F.3d 202, 207 (2d Cir. 2015).

238. *Id.* at 207–08.

239. *Id.* at 207 (emphasis in original).

only increase demand for the original copyrighted works, should qualify as fair use whether or not they are “transformative.” As the Eleventh Circuit held in *Cambridge University Press v. Patton*, the unauthorized, but noncommercial and educational, verbatim copying of scholarly works by a university for use by its students through a system of digital delivery over the Internet tilted the first fair use factor in favor of fair use, even though the copying was not transformative and served the very same purpose as the original works (providing reading material for students in university courses).²⁴⁰ As the court concluded, “Defendants’ use of Plaintiffs’ works is of the nonprofit educational nature that Congress intended the fair use defense to allow under certain circumstances. Furthermore, we find this sufficiently weighty that the first factor favors a finding of fair use despite the nontransformative nature of the use.”²⁴¹ This result is aligned, not with the transformative use doctrine, but with the Seventh Circuit’s observation that “the administrative costs of finding and obtaining consent from copyright holders would frustrate many academic uses.”²⁴²

This reasoning should apply as well to certain uses that are more commercial, such as Google’s book digitization project, where it would not have been feasible to locate and obtain consent from the authors (or from the authors’ heirs, as appropriate) of tens of millions of books. Given the enormous transaction costs inherent in such an undertaking, which benefits readers and copyright owners alike, fair use should permit the unauthorized copying.

The final example in the preamble, news reporting, aptly demonstrates the requirement that the secondary user must have a need to copy the particular original work. While news outlets obviously cannot be required to pay licensing fees, or else they would lose their credibility and face prohibitively high transaction costs, news reporting is not fair use per se.²⁴³ For news reporting to qualify as fair use, there must be a valid reason for the copying of copyrighted materials. In *Harper & Row*, the Supreme Court stated, “In evaluating character and purpose we cannot ignore The Nation’s stated purpose of scooping the forthcoming hard-cover and Time abstracts.”²⁴⁴ Thus, even though The Nation was reporting “news,” and the

240. 769 F.3d 1232, 1262–63, 1267 (11th Cir. 2014).

241. *Id.* at 1267.

242. *See* *Kienitz v. Sconnie Nation LLC*, 766 F.3d 756, 759 (7th Cir. 2014).

243. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 561 (1985) (holding that news reporting is not presumptively fair use and “[t]he fact that an article arguably is ‘news’ . . . is simply one factor in a fair use analysis”).

244. *Id.* at 562.

article became news in and of itself after The Nation published excerpts from President Ford's memoirs that were about to be published in Time Magazine, The Nation's use was not fair use.²⁴⁵

Harper & Row is consistent with fair use being available only where the secondary user has a need to copy. Given the "fully functioning market" for memoirs of public figures,²⁴⁶ there was no such need, and The Nation's copying was unjustified. The same was true in two recent cases involving a fair use defense based on news reporting. In *Monge v. Maya Magazines, Inc.*, a magazine's publication of copyrighted photographs of a celebrity's clandestine wedding, which arguably qualified as news because the photographs disproved the celebrity's denials that the wedding ever took place, was not justified as news reporting, because there was no need to use the photos, given the public availability of the celebrity's marriage certificate.²⁴⁷ In *Balsley*, Hustler Magazine's publication of a nude photograph of a female news anchor, which had earlier resulted in her being fired from a previous job, as part of a feature on "Hot News Babes," did not qualify as fair use, because "the incident giving rise to the picture was three years old and no longer considered newsworthy."²⁴⁸

Conversely, in *Núñez v. Carribean International News Corp.*, an existing controversy regarding whether it was appropriate for Miss Puerto Rico Universe to have posed for nude modeling photographs, the court justified publication of the photos as part of a news article, because "the pictures were the story" and "[i]t would have been much more difficult to explain the controversy without reproducing the photographs."²⁴⁹ Unlike the magazines in *Monge* and *Balsley*, the newspaper in *Núñez* had a need to publish copyrighted photographs, and its fair use defense was accordingly upheld.

C. Restoring Meaning to All Four Fair Use Factors

There are certainly disputed secondary uses that do not fit neatly into the examples contained in the preamble of § 107. Regardless of the nature of the underlying use, however, application of this same market-based standard will restore the meaning that has been leached out of the four fair use factors

245. *Id.* at 561.

246. *Id.* at 566 n.9.

247. 688 F.3d 1164, 1173, 1175 (9th Cir. 2012).

248. *Balsley v. LFP, Inc.*, 691 F.3d 747, 754–55, 759 (6th Cir. 2012).

249. 235 F.3d 18, 22 (1st Cir. 2000).

and import other important considerations, therefore facilitating resolution of any fair use claim.

The first factor, the purpose and character of the use and its commerciality, has been reduced to a subjective inquiry into whether the secondary use may reasonably be perceived as having an expressive character that is “transformative.” Focusing the inquiry instead on why the secondary user took the original work, and requiring a reason for the appropriation will restore the relevance of the secondary user’s purpose, which, unlike “transformativeness,” is explicitly required in the first factor.²⁵⁰

Of course, there will be cases where the secondary user cannot explain his purpose. For example, in *Dauman v. The Andy Warhol Foundation for the Visual Arts, Inc.*, the secondary user died before the lawsuit was instituted.²⁵¹ In such cases, it may nevertheless be possible to discern the purpose, but in any event, in contrast to the majority’s approach in *Cariou*, when there is sworn testimony from the appropriator as to his own purpose, that evidence is critically important and should never be ignored.²⁵²

Commerciality is also an explicit element of the first fair use factor’s statutory text and should no longer be disregarded.²⁵³ This prong of the first factor, which has been abrogated by the transformative use standard, will be revived if the fair use analysis focuses on whether the secondary user has a valid reason for not seeking consent due to high transaction costs. Whether a secondary use “is of a commercial nature or is for nonprofit educational purposes” is not a moral judgment; instead, this prong recognizes that, in the case of works that “have a higher value and consume more resources[.] . . . transaction costs will consequently pose less of a barrier to their production”²⁵⁴ Thus, in cases, such as *Blanch* and *Cariou*, where the likely profit far exceeds the transaction cost of securing a license, there is no

250. Cabining fair use by requiring that there must be a reason for the copying gives heed to Judge Leval’s observation that “important areas of intellectual activity are explicitly referential.” Leval, *supra* note 32, at 1109. This requirement is also consistent with Justice Story’s admonition that fair use requires “intellectual labor and judgment” and not just “the facile use of the scissors.” *Folsom v. Marsh*, 9 F. Cas. 342, 345 (C.C.D. Mass. 1841) (No. 4,901). See also *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 580 (1994) (holding a claim to fairness in borrowing is diminished if the alleged infringer merely uses the original work “to get attention or to avoid the drudgery in working up something fresh”); *Kienitz v. Sconnie Nation LLC*, 766 F.3d 756, 759 (7th Cir. 2014) (“The fair-use privilege under §107 is not designed to protect lazy appropriators.”).

251. 96 Civ. 9219 (TPG), 1997 WL 337488 (S.D.N.Y. June 18, 1997).

252. See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 562 (1985).

253. See *Blanch v. Koons*, 467 F.3d 244, 262 (2d Cir. 2006) (Katzmann, J., concurring) (“[C]onsideration of a use’s commercial nature (unlike its ‘transformativeness’) is explicitly part of our statutory mandate.”)

254. 2 GOLDSTEIN, *supra* note 160, at 12:35; Gordon, *supra* note 207, at 1639.

justification for bypassing the market. This justification especially does not apply where the secondary user considers the original work to be generic, as both Koons and Prince did, and the market for equivalent original works is well-functioning, as is the market for stock photographs.²⁵⁵ Conversely, where the secondary use is personal and not commercial, such as time-shifting recorded television programming in one's home,²⁵⁶ any transaction cost is likely to preclude the activity, militating in favor of a finding of fair use.²⁵⁷

The second fair use factor, the nature of the copyrighted work, is now moribund, because, under cases like *Cariou*, whenever the disputed use is "transformative," the second factor becomes irrelevant. By asking whether, based on the nature of the original work, there is a justification for copying it without consent, instead of whether the secondary use is transformative, relevance can be restored to this factor. For example, even if a work is creative, there can be a justification for copying it if the work is iconic and unique. As Professor Goldstein explained, "Where the work in issue is undeniably—and entirely—creative, but possesses iconic, newsworthy stature because of its creator or context, a court may tip this factor toward fair use."²⁵⁸ A case like *Lennon v. Premise Media*, involving the use of a clip from John Lennon's iconic song, *Imagine*, imagining a world without religion, to make a point about the importance of religion, illustrates this concept.²⁵⁹ Similarly, in *Bill Graham Archives*, a biography of the Grateful Dead arguably needed, for optimum treatment of its subject, to include reduced size copies of the distinctive copyrighted concert posters that were used to promote the band's concerts as historical artifacts.²⁶⁰

On the other hand, when the original work and interchangeable equivalents are readily available through normal copyright channels, and the livelihoods of creators of those works are dependent on would-be users accessing those channels, an uncompensated taking cannot be justified as fair use. For instance, in *Cariou*, even though Prince contended Cariou's images were generic and ubiquitously available, Prince simply appropriated Cariou's photographs instead of seeking permission or exploring alternative

255. See *infra* notes 262, 264, and accompanying text.

256. See *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 449-50 (1984).

257. See Gordon, *supra* note 207, at 1628.

258. 2 GOLDSTEIN, *supra* note 160, at 12:47.

259. *Lennon v. Premise Media Corp.*, 556 F. Supp. 2d 310, 322-23 (S.D.N.Y. 2008).

260. *Bill Graham Archives v. Dorling Kindersley, Ltd.*, 448 F.3d 605, 607, 611-13 (2d Cir. 2006).

Notably, however, it is not clear that market failure justified the unauthorized copying of the posters without consent, given that the copyright owner was willing to negotiate a license, just not at a price the defendant was willing to pay. *Id.* at 607.

means of acquiring similar photographs without infringing anyone's copyright.

According to Professor Landes, "Commercial photographers are in the business of licensing reproduction rights to their photographs for a variety of unanticipated uses. Without copyright protection, the price of copies would be driven down to the cost of copying, leaving nothing to cover the cost of creating the work."²⁶¹ This would not only harm photographers, whose works are subject to widespread misappropriation exceedingly difficult to police and are dependent upon a functioning licensing market in order to earn a livelihood,²⁶² but also secondary users, because "killing the proverbial goose that laid the golden egg"²⁶³ would deprive them of useable raw materials for their derivative works.

Therefore, if, when considering the nature of the copyrighted work, it appears that it can readily, affordably and legally be obtained through easy-to-navigate copyright channels, any need to make use of the work without the consent of the copyright owner disappears.²⁶⁴ In such cases, appropriation of the original work is simply copyright infringement.

The third fair use factor, the amount and substantiality of the portion used, has also been vitiated by the transformative use standard in order to permit copying of substantial portions of an original work if they are being conjured up to create something that is transformative. Restoring the importance of the purpose element of the first factor would reinvigorate the third factor because, as noted in *Campbell*, the amount used must be "reasonable in relation to the purpose of the copying."²⁶⁵ Thus, while substantial copying is necessary when the purpose is to create a parody, other transformative uses do not necessarily have the same blanket justification.

One type of secondary use that can claim the need to copy the entire original work is an Internet search engine, as in *Kelly v. Arriba Soft Corp.*, used to guide third parties to particular images. The search can only be facilitated by reproducing the entire image. Importantly, by making the

261. Landes, *supra* note 210, at 18–19.

262. See Brief for the American Photographic Artists, et al. as Amici Curiae, *Cariou v. Prince*, (No. 08 Civ. 11327 (DAB)), (S.D.N.Y. filed Dec. 16, 2013) (Dkt. 117), at 8–9; Affidavit of Mickey Osterreicher, *Cariou v. Prince*, 08 Civ. 11327 (DAB) (S.D.N.Y. filed Dec. 16, 2013) (Dkt. 119), ¶¶ 5–6.

263. *Cambridge Univ. Press v. Patton*, 769 F.3d 1232, 1258 (11th Cir. 2014).

264. See Affidavit of Megan Murphy, *Cariou v. Prince*, (No. 08 Civ. 11327 (DAB)), (S.D.N.Y. filed Dec. 16, 2013) (Dkt. 118), ¶¶ 3–4, 7 (Director of Getty Images explaining that its licensing models, like those of numerous other photographic archives, enabled users "to almost instantly lawfully acquire a license in an image of almost any imaginable subject," including "images of Jamaica and Rastafarians," such as those appropriated by Prince from *Cariou*).

265. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 586 (1994).

images available as low-resolution thumbnails, the search engine also cannot be accused of exploiting the creative virtues of or substituting for the original works, because if the thumbnails were downloaded and enlarged, they would lose their clarity.²⁶⁶ Therefore, no more of the original work's aesthetic expression is taken than is necessary to fulfill the search engine's purpose as a research tool.

Also, because a search engine copies from numerous sources, its transaction costs would be exorbitant if it had to acquire licenses from each copyright owner. On the other hand, a secondary user who takes a substantial portion from only a single original work would incur much more manageable transaction costs, tending to disfavor fair use. According to Professor Goldstein,

[T]he use of substantial portions from the copyrighted work is more likely to justify the expense of negotiating a license from the copyright owner than is the use of small excerpts. It only slightly oversimplifies the operation of the third factor to say that the "greater the amount of the copyrighted work used, the less likely it is that the fair use exception is applicable."²⁶⁷

The fourth fair use factor, the effect of the use upon the potential market, has also been constricted by the notion that, if the secondary use is transformative, it is theoretically less likely to usurp or supersede the market for the original work, since a transformative secondary work will have a different audience than the original.²⁶⁸ The Second Circuit's recent decision in *Authors Guild v. Google* authored by Judge Leval underscored that cognizable harm under the fourth factor requires the secondary use to completely supplant and substitute for the original work. The Court held "the possibility, or even the probability or certainty, of some loss of sales does not suffice to make the copy an effectively competing substitute that would tilt the weighty fourth factor in favor of the rights holder in the original."²⁶⁹ The problem with this concept is that secondary uses, including "unrestricted and widespread conduct of the sort engaged in by the defendant,"²⁷⁰ can harm the copyright owner's potential market in a myriad

266. *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 818 (9th Cir. 2003).

267. 2 GOLDSTEIN, *supra* note 160, at 12:54.

268. *See, e.g., Cariou v. Prince*, 714 F.3d 694, 708-09 (2d Cir. 2013).

269. *Authors Guild v. Google, Inc.*, 804 F.3d 202, 224 (2d Cir. 2015). The decision not only referred to the fourth factor as being "weighty," *Id.*, but also seemed to resurrect the *Harper & Row* dictum that the fourth factor "is undoubtedly the single most important element of fair use." *Id.* at 214 (quoting *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566 (1985)). By limiting cognizable harm to superseding, i.e., non-transformative, uses, however, this apparent heightened emphasis on the fourth fair use factor only reinforces the primacy of the transformative use standard.

270. *Campbell*, 510 U.S. at 590.

of unpredictable ways. Certainly, a secondary use can harm the potential market for the original work without usurping a precisely identical use that the copyright owner would have pursued.²⁷¹

The harm to potential derivative markets must also be considered, with the proponent of the affirmative defense of fair use shouldering the burden of demonstrating an absence of harm to those markets.²⁷² Where the evidence demonstrates that the copyright owner would never license anyone to exploit a particular derivative use, the market cannot be relied upon to maximize value, and an uncompensated taking likely would constitute fair use. The Eleventh Circuit, in *Cambridge Univ. Press*, underscored the relevance of the copyright owner's willingness to license her work: "[I]t is sensible that a particular unauthorized use should be considered 'more fair' when there is no ready market or means to pay for the use, while such an unauthorized use should be considered 'less fair' when there is a ready market or means to pay for the use."²⁷³

It should not be presumed, however, that a copyright owner will only exploit derivative markets which she has already exploited; such a presumption amounts to penalizing the unsuccessful or those just starting out in their field. Rather, it should be incumbent upon the proponent of fair use to establish that particular derivative markets would not be pursued by the copyright owner.

D. Keeping the Derivative Work Right Intact

The current state of the law of fair use can be traced back to Judge Leval's indisputable observation that "all intellectual creative activity is in part derivative."²⁷⁴ However, merely because an intended secondary use would be derivative or transformative does not mean that a secondary user

271. Thus, in *Cariou*, a gallery owner abandoned plans for a show of Cariou's prints not because Prince had put on an identical show of those prints, but, rather, because Prince's show, even though it purportedly appealed to a different market, audience and price point, caused the gallery owner no longer to want to show Cariou's work because "she did not want to appear to be capitalizing on Prince's Paintings and did not want to show work which had been 'done already' at the nearby Gagosian Gallery." *Cariou v. Prince*, 784 F. Supp. 2d 337, 344, 359 (S.D.N.Y. 2011). See also *Henley v. DeVore*, 733 F. Supp. 2d 1144, 1163 (C.D. Cal. 2010) (holding that any use can cause brand name fatigue and dissuade advertisers from licensing the original for other, unrelated uses). The fourth factor inquiry is not limited to whether secondary works usurp or supersede the objects of the original work; it suffices that they have a negative effect "upon the potential market for or value of the copyrighted work," 17 U.S.C. § 107, or "prejudice the sale, or diminish the profits" of the original work, *Folsom v. Marsh*, 9 F. Cas. 342, 348 (C.C.D. Mass. 1841) (No. 4,901).

272. *Campbell*, 510 U.S. at 590, 594.

273. *Cambridge Univ. Press v. Patton*, 769 F.3d 1232, 1276–77 (11th Cir. 2014) (citation omitted).

274. Leval, *supra* note 32, at 1109.

may, with impunity and without justification, appropriate a copyrighted work without paying a licensing fee.

While using the market-based approach advocated in this article will maintain the copyright owner's exclusive right and incentive to create and license derivative works subject to necessary fair uses due to market failure, the transformative use standard, by equating all transformative uses with fair uses, tramples on that right. In Professor Goldstein's view, "When Congress in the 1976 Act brought every form of transformative use within section 106(2)'s derivative right, it consequently left no room for the fair use doctrine to weigh the transformative nature of a use in the statutory balance."²⁷⁵

VIII. CONCLUSION

Evaluating fair use claims based on whether the secondary use is transformative overrides the statutory text, results in arbitrary, unpredictable and result-oriented outcomes, obliterates the copyright owner's right to make and license derivative works and should be abandoned. Instead, fair use analysis should proceed pursuant to a case-by-case examination of all four statutory fair use factors and whether the secondary use is akin to the examples set forth in the statutory preamble. The fair use defense should be limited to cases where there is a need to copy a particular original work, but only where, because the market cannot be relied upon to facilitate a socially beneficial transfer of rights, appropriation of the original work without the consent of the copyright owner is required. This approach takes guidance from the forgotten examples in the preamble to § 107 of the Copyright Act, restores meaning to the neglected fair use factors explicitly set forth in the statute and preserves the copyright owner's valuable exclusive right to create and license derivative works, without unduly stifling creative secondary uses that cannot be effectuated due to market imperfections.

275. 2 GOLDSTEIN, *supra* note 160, at 12:36.