

## Fair Use in U.S. Copyright Law

**November 2019**

**Sponsoring Committee: The Copyright Policy Subcommittee of INTA of the Copyright Committee.**

### **RESOLUTION:**

**WHEREAS**, Article I, Section 8, Clause 8 of the United States Constitution grants Congress the power to legislate “to promote the process of science and useful arts, by securing for limited times to authors . . . the exclusive right to their . . . writings;”

**WHEREAS**, the United States Copyright Act, 17 U.S.C. § 101 et seq. advances this constitutional goal by conferring upon authors for a finite duration certain exclusive rights, thus incentivizing the creation and dissemination of new works;

**WHEREAS**, the doctrine of fair use embodied in Section 107 of the United States Copyright Act, 17 U.S.C. § 107, provides an exception to the exclusive rights conferred on authors and other copyright holders for certain uses that further the public discourse;

**WHEREAS**, Section 107 of the United States Copyright Act enumerates four primary factors that courts shall consider in evaluating whether the use of a copyrighted work is a fair use, namely (1) the purpose and character of the use, (2) the nature of the copyrighted work, (3) the amount and substantiality of the portion used, and (4) the effect of the use on the potential market for or value of the copyrighted work;

**WHEREAS**, United States courts sometimes have been criticized for applying the fair use factors unpredictably, without due consideration given to all four statutory factors;

**WHEREAS**, United States courts sometimes have been criticized for not giving proper regard

for  
the copyright holder's exclusive right to create derivative works;

**WHEREAS**, United States courts sometimes have been criticized for being inconsistent in their analysis of the potential market harm a use of a copyrighted work may cause under the fourth fair use factor, sometimes engaging in a quantitative or damages-type analysis, rather than focusing on the harm to the market or potential market, as the statutory language provides;

**WHEREAS**, differing applications of the fair use factors can make it difficult for lawyers to advise their clients as to what may or may not be fair use, and can create uncertainty for both copyright holders and those seeking to use copyrighted works fairly; and

**WHEREAS**, international copyright law, especially the Revised Berne Convention (RBC) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of the General Agreement on Tariffs and Trade (GATT), does not provide for a general fair use exemption, but only allows exceptions from the exclusive right of the copyright owner if they are statutory and follow the so-called "3-Step-Test" in Art. 9 (2) RBC; and, therefore, non-U.S. brand owners need reliable, foreseeable conditions for assessing fair use under U.S. copyright law;

**BE IT RESOLVED**, that the International Trademark Association supports the principle that United States courts:

A. in deciding copyright fair use shall consider each of the four factors enumerated in Section 107 of the United States Copyright Act, 17 U.S.C. § 107, and not give undue importance to any one factor; and

B. shall give due consideration to the author or copyright holder's exclusive right to create derivative works when applying the judicially created concept of "transformative use"

**BE IT FURTHER RESOLVED**, that the International Trademark Association supports the principle that, in determining the effect of a use upon the actual or potential market for the copyrighted work under the fourth fair use factor in Section 107 of the United States Copyright Act, 17 U.S.C. § 107, courts should not engage in a damages-type harm quantification analysis, but instead should consider whether an actual or potential market for the work exists and determine the effect allowing the unauthorized use would have on that market, particularly if such use becomes widespread.

**BACKGROUND:**

The proposed INTA resolution is consistent with the language of the fair use statute, 17 U.S.C. § 107, the U.S. Supreme Court’s prior fair use decisions, prevailing case law interpreting those decisions, and the positions taken by other leading intellectual property organizations.

As discussed below in greater detail, the language of the statute states, prior to articulating the individual factors, that “the factors to be considered ***shall include***.” (emphasis added). Thus, it is clear that Congress intended that U.S. courts consider each of the factors when evaluating whether a use is a “fair use.” Similarly, the U.S. Supreme Court in *Campbell v. Acuff Rose Music, Inc.*, 50 U.S. 569 (1994) did not treat the fair use factors in isolation; rather, it held that “[t]he four statutory factors are to be explored and weighed together . . . .” Some United States courts have not always consistently followed the Supreme Court’s jurisprudence in this regard. Similarly, while the language of the fair use statute specifically says that courts should look at the harm to potential markets, some courts have instead applied an approach that requires quantification of the harm. The purpose of this resolution is to support the principle that, when assessing fair use, courts should remain consistent with the statutory language.

The position of this resolution is consistent with positions taken by other intellectual property organizations, including, but not limited to, the ABA Section of Intellectual Property Law and the Copyright Alliance:

- On January 28, 2019, the ABA passed Resolution 104, sponsored by the ABA Section of Intellectual Property Law, which articulates the ABA’s policy on fair use. This resolution similarly emphasized that courts should consider all of the fair use factors, and that a copyright owner’s actual or potential market includes those markets that are traditional, reasonable or likely to be developed, regardless of whether the copyright owner has already entered a particular market or has plans to do so.
- The Copyright Alliance, which describes itself as “the unified voice of the copyright community”, is made up of individual authors and large organizations. The Copyright Alliance has 1.8 million individual creators and more than 13,000 organizations as members, including, like INTA, many corporate IP owners (e.g., Nike, CBS Corp., Disney, the NFL, Oracle, and Viacom). While the Copyright Alliance does not issue resolutions, it has filed multiple amicus briefs consistent with the principals of this resolution. For example, in *Dr. Seuss Enterprises, L.P. v. Comicmix LLC*,<sup>1</sup> the Copyright Alliance made clear its position that courts should consider the harm to the derivative markets for the copyrighted work when assessing fair use, rather than engage in a quantitative-style damages analysis. *The Authors Guild v. Google, Inc.*<sup>2</sup> provides an

additional example, in which the Copyright Alliance argued that sometimes “transformative use has become [improperly] the most critical element of the fair use analysis, often overwhelming the other factors.” Finally, in *Fox News Network, LLC v. TVEyes, Inc.*,<sup>3</sup> the Copyright Alliance argued that the district court should not have quantitatively assessed the harm experienced by Fox News to its derivative markets.

It should be noted that this resolution does not propose changing the current analytical approach to fair use articulated in the statute. Instead, this resolution stands for the principle that United States courts should assess fair use using the methodology specified by the U.S. Supreme Court for applying the statutory language. In any given case, such an application of the statutory fair use factors might lead to a finding of fair use, or it might not. Whether the use is fair would depend on the facts before the court. This resolution does not comment on how courts should assess the facts before them, nor does it advocate for courts to give equal weight to all of the fair use factors; it simply aims to ensure that courts follow the statutory scheme requiring due consideration of the fair use factors, as confirmed by the Supreme Court. This approach is analogous to the multifactor test for likelihood of confusion that determines infringement in trademark law. It is critical to all IP stakeholders, including brand owners, that courts engage in predictable and balanced analysis of the statutory fair use factors as contemplated by the Copyright Act.

It is important that INTA develop a position regarding application of the fair use factors because its members and IP owners generally are currently subject to varying interpretations of statutory language. By adopting the proposed resolution, INTA can continue its mission to help provide clarity in IP law for INTA’s members and for the IP owner community. This is particularly important for INTA members, many of which own copyrights for their logos and other valuable assets . It is very difficult now for attorneys to be able to advise clients with confidence whether a particular use of a copyrightable work is or is not fair use. It is quite common for a district court to have one view on fair use, but the court of appeals to have a diametrically opposite view. See, e.g., *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013); *Brammer v. Violent Hues Productions, LLC*, 922 F.3d 255 (4th Cir. 2019); *Murphy v. Millennium Radio Grp., LLC*, 650 F.3d 295 (3d Cir. 2011). This proposed resolution would set forth a position that would enable INTA to weigh on legislative developments or amicus brief opportunities regarding this issue should they arise.

## **A. Fair Use is Critical for Balancing Countervailing Interests in the Copyright System.**

The United States Constitution empowers Congress to enact copyright laws in order to “[p]romote the progress of science and useful arts, by securing for limited times to authors . . . the exclusive right to their . . . writings.”<sup>4</sup> Congress has exercised that power through various federal copyright statutes, the most recent of which is the United States Copyright Act of 1976 (the “Act”).<sup>5</sup> The Act seeks to accommodate two values: granting exclusive rights to authors to motivate the creation of new works, and allowing for the free exchange of ideas, scholarship, and research.<sup>6</sup> To help ensure that copyright does not impinge on the public’s ability to share ideas, engage in valuable discourse, and author new creative works, Congress included the doctrine of “fair use” in Section 107 the Act, which deems certain unauthorized but socially valuable uses of copyrighted works to be non-infringing. These “fair” uses promote uses of protected works for the public good, avoid “inappropriate or inequitable applications” of the Copyright Clause, and help maintain the balance between and among the rights of different creators”.<sup>7</sup>

Section 107 provides in its preamble:

Notwithstanding the provisions of section 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright.<sup>8</sup> The text then goes on to list four non-exclusive factors that courts shall consider in analyzing fair use:

1. The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.
2. The nature of the copyrighted work.
3. The amount and substantiality of the portion used in relation to the copyrighted work as a whole.
4. The effect of the use upon the potential market for or value of the copyrighted work.<sup>9</sup>

The four factors are meant to be considered together in light of the constitutional purpose of copyright.<sup>10</sup>

## **B. “Transformative” Use**

### **1. Development of the “Transformative Use” Doctrine by the Courts.**

In 1994, the Supreme Court issued its landmark fair use decision in *Campbell v. Acuff-Rose Music, Inc.*<sup>11</sup> In considering factor one (the purpose and character of the use), the Court adopted “transformativeness” as one guiding consideration.<sup>12</sup> *Campbell* defined “transformativeness” as a change to the original work that “adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.”<sup>13</sup>

In *Campbell*, the Court considered whether parody was sufficiently similar to the enumerated “fair” uses in Section 107 to be considered fair use.<sup>14</sup> Beginning with the preamble to Section 107, the Court found that parody had an “obvious claim to transformative value,” noting the social benefit from “shedding light on an earlier work, and, in the process, creating a new one.”<sup>15</sup> The Court recognized the social value of criticism that directly commented on original works, and that would likely be impossible to express without the protection of fair use. The Court distinguished parody from uses that played off of, but did not comment on, the original work.<sup>16</sup> In such circumstances, fair use would be less likely to be found.<sup>17</sup>

In the years since *Campbell*, transformativeness has become a major criterion in courts’ fair use analyses, and various courts’ definitions and interpretations of “transformativeness” have at times appeared inconsistent with each other. For example, in *Perfect 10, Inc. v. Amazon.com, Inc.*, the Ninth Circuit found that “images in a new context to service a different purpose” may be transformative.<sup>18</sup> But five years later, the same court held that a different purpose alone did not establish transformative use.<sup>19</sup> Similarly, the Second Circuit in *Blanch v. Koons* based its transformativeness finding on an artist’s description of his own purpose.<sup>20</sup> But the Second Circuit in *Cariou v. Prince* de-emphasized the artist’s intention in favor of whether a “reasonable observer” would consider the work transformative.<sup>21</sup>

## **2. Courts Should Evaluate Transformativeness with Due Consideration of the Exclusive Right to Create Derivative Works.**

Section 106 of the Act confers upon copyright holders’ six exclusive rights, one of which is the exclusive right “to prepare derivative works based on the copyrighted work.”<sup>22</sup> The term “derivative work” is defined in as “a work based on 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.”<sup>23</sup>

Whether a work is transformative can be particularly useful in assessing a parody, such as the one in *Campbell*. In other circumstances, however, works deemed to be transformative “fair use”, and thus non-infringing, could also be categorized as derivative works which copyright holders hold the exclusive right to create, and authorize others to create. Judge Easterbrook of the Seventh Circuit observed this basic tension in *Kienitz v. Sconnie Nation LLC*.<sup>24</sup>

In that case, the Seventh Circuit noted that “[w]e’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.”<sup>25</sup> The court in *Sconnie Nation* also itself discussed the tension between derivative works and interpretations of fair use that may overemphasize transformative use as fair use: “[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).” Accordingly, works that “transform” a preexisting work into a new work also could fall within the definition of derivative works, and thus within the copyright holder’s exclusive right to create or authorize creation under Section 106 of the Act.

That said, not every work that “transforms” an original is an infringing derivative work. For example, a new work that includes elements of an existing work for the purpose of parody or criticism might be derivative of the existing work, yet under an analysis that appropriately balances the fair use factors it would plainly fall within the ambit of non-infringing fair use.<sup>26</sup> Because Congress saw fit to include in the Act both fair use and right to create the derivative works, the mere fact that a work may be characterized as “transformative” cannot by itself conclusively determine whether the work constitutes fair use or an unauthorized derivative work.

By overemphasizing transformativeness in the fair use analysis involving works other than traditional parody, however, some courts have created uncertainty as to both the scope of fair use and the derivative work right. As the Court articulated in *Campbell*, transformativeness should be considered as only part of the analysis under the first fair use factor.

### **C. Courts Are Sometimes Inconsistent in Their Assessments of Market Harm Under the Fourth Fair Use Factor.**

Courts have occasionally injected uncertainty into the fourth fair use factor, which considers “the effect of the use upon the potential market for or value of the copyrighted work.”<sup>27</sup> This market harm factor addresses whether an actual or potential market for the primary work exists, and whether permitting the use would impact the market for that work, particularly if the unauthorized use became widespread.<sup>28</sup> A work that “offers itself as market substitute” for a “traditional,

reasonable, or likely to be developed” market for the primary work or its derivatives would weigh against a fair use finding.<sup>29</sup> This is because a fair use necessarily does not usurp the actual or potential market for the original, which the other fair use factors help to ensure.

Rather than considering harm to potential markets for the primary work in evaluating this factor, some courts have instead applied an analysis that quantifies the actual monetary loss to the primary work’s author or copyright holder.<sup>30</sup> This is inconsistent with the statutory language, which

makes clear that harm can include the “effect of the use upon the potential market for” a copyrighted work.<sup>31</sup> Because the damages-style approach to market harm is inconsistent with the

statutory text, and also undermines the purpose of the fair use analysis, INTA should support the

principle that a court, in assessing market harm, must consider both actual and potential markets

for the original work, rather than focusing on whether the loss to the work’s author or copyright holder can be quantified.

## Conclusion

In conclusion, the Subcommittee recommends that the Board adopt the proposed resolution setting out INTA’s position that:

- All four statutory fair use factors should be applied by US courts in a manner that is consistent with the text and purposes of the Act. This means giving due consideration to each factor within the specific context of each case. It also means that courts should be cautious in their definition and weighing of “transformativeness” in a fair use analysis, especially since this doctrine can overshadow the other factors Congress has delineated for determining whether a use should be deemed a non-infringing fair use.
- Courts should carefully assess transformativeness in light of the author or other copyright holder’s exclusive right to create derivative works.
- When evaluating market harm under the fourth factor, courts should ensure their analyses give appropriate weight to the actual or potential markets for the original work, the possible impact should the unauthorized use become widespread, and the impact on value of the original work. or on the value of the original work. The foregoing principles will help ensure more consistent and predictable decisions regarding what constitutes fair use.

*1 Brief of Copyright Alliance as Amicus Curiae in Support of Neither Party, Dr. Seuss Enterprises, L.P. v.*

*Comicmix LLC, No. 19-55348 (9th Cir. Aug. 12, 2019).*

*2 Brief of Copyright Alliance as Amicus Curiae in Support of Petitioner, The Authors Guild v. Google, Inc., No.*



15-849, 4 (Feb. 1, 2016).

3 Brief of Copyright Alliance as Amicus Curiae in Support of Plaintiff-Appellee-Cross-Appellant, Fox News

Network, LLC v. TVEyes, Inc., 15-3885, 24 (June 22, 2019).

4 U.S. CONST. art. I, § 8, cl. 8.

5 17 U.S.C. §§ 101 et seq.

6 See Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 429 (1984) (“[T]he limited grant is . . .

intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to

allow the public access to the products of their genius after the limited period of exclusive control has

expired.”); see also Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) (“The immediate

effect of our copyright law is to secure a fair return for an ‘author’s’ creative labor. But the ultimate aim is, by

this incentive, to stimulate artistic creativity for the general public good.”).

7 Am. Broad. Cos., Inc. v. Aereo, Inc., 134 S.Ct. 2498 (2014) (citing Sony Corp. of Am., 464 U.S. 417).

8 17 U.S.C. § 107.

9 *Id.*

10 Campbell, 510 U.S. at 578.

11 Campbell, 510 U.S. 569.

12 The term “transformativeness” originates from Judge PierreLeval’s influential article, *Toward a Fair Use*

*Standard*. 103 HARV. L. REV. 1105, 1111 (1990).

13 Campbell, 510 U.S. at 578.

14 Campbell, 510 U.S. at 578.

15 Campbell, 510 U.S. at 579.

16 Campbell, 510 U.S. at 580. Such works are properly considered to be “satires” but not parodies.

17 Campbell, 510 U.S. at 580–81.

18 508 F.2d 1146, 1165 (9th Cir. 2007).

19 See *Monge v. Maya Magazines, Inc.*, 688 F.3d 1164, 1176 (9th Cir. 2012).

20 467 F.3d 244, 253 (2d Cir. 2006).

21 714 F.3d 694, 707 (2d Cir. 2013).

22 17 U.S.C. § 106(2).

23 *Id.* § 101 (emphasis added).

24 *Keinitz v. Sconnie Nation*, 766 F.3d 756, 758 (7th Cir. 2014).

25 Moreover, since *Sconnie Nation*, courts (including the Second Circuit), have referred to Cariou as the high

watermark for transformative use. See, e.g., *TCA Television Corp. v. McCollum*, 839 F.3d 168, 181 (2d Cir.

2016) (“Insofar as *Cariou* might be thought to represent the high-water mark of our court’s recognition of

transformative works, it has drawn some criticism.”)

26 See 17 U.S.C. § 107.

27 17 U.S.C. § 107(4).

28 See, e.g., *Murphy v. Millennium Radio Grp. LLC*, 650 F.3d 295, 208 (3d Cir. 2011); *Zomba Enter., Inc. v.*

*Panorama Records, Inc.*, 491 F.3d 574, 583-84 (6th Cir. 2007); *NXIVM Corp. v. Ross Inst.*, 364 F.3d 471, 481

(2d Cir. 2004).

29 *Ringgold v. Black Entm’t Television, Inc.*, 126 F.3d 152, 175 (2d Cir. 1997).

30 See, e.g., *Seltzer v. Green Day, Inc.*, 725 F.3d 1170 (9th Cir. 2013); *Bill Graham Archives v. Dorling Kindersley,*

*Ltd.*, 448 F.3d 605 (2d Cir. 2006).

31 17 U.S.C. § 107.