

# One Right System for IP – Vision Impossible?

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How “Transformative Use” is Transforming the Law

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# How "Transformative Use" is Transforming the Law.

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# "Fair Use" Has Never Been Easy!

- Fair use is called "an equitable rule of reason."
- It is confusing, and is applied on an *ad hoc* basis.
- This means....the judges are free to decide or not to decide fair use.

# The First Amendment Argument

- Speech is protected by the First Amendment.
- First Amendment / Copyright clash
- Or is there one.
- First Amendment was enacted to prevent the newly formed federal State from censoring speech against it.
- Copyright has expanded.
- The First Amendment gives you the right to speak (play) but you cannot “steal” the instruments.

# Today, it is codified in § 107 of the Copyright Act.

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

## Fair use (cont'd)

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.
- The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

# Differences between the statute and application

- Differences with regard to factor 1.  
(Transformative Use – Most important)
- Differences with regard to factor 3.  
(Percentage with regard to what?)
- Differences with regard to factor 4.  
(Actual or Potential Market)

## *Benny v. Loew's*

- *Benny v. Loew's*, 239 F.2d 532 (9th Cir. 1956), aff'd by an equally divided court *sub nom*, *CBS v. Loew's*, 356 U.S. 43 (1956).
- The "Gas Light" case.
- Jack Benny had taken a license to do a radio parody of "Gas Light."

# "Gas Light"

- Several years later, Benny & CBS produced a half-hour long show featuring an unlicensed version of a television parody of Gas Light.
- Loew's sued them.
- Benny defended on "fair use" grounds.

# Benny v. Loew's

- Benny claimed that the television show was a "fair use" of Gas Light.
- The court held: "Appellants cannot copy and present another's dramatic work...unless they have receive the consent of the copyright holder."
- A "parodized... taking is to be treated no differently from any other appropriation...if it is determined that there was a substantial taking, infringement exists."
- Affirmed by an equally divided court. (Mr Douglas took no part in the decision). Only binding in the 9th Cir.

# Supreme Court cases.

- *Sony Corp. of America v. Universal City Studios, Inc.*, 471 US 539 (1985).
- 5 to 4 decision.
- Commercial/Non-commercial presumption.
- If commercial defendant must show no market harm.
- If non-commercial, plaintiff must show market harm.
- This was non-commercial; Universal could not show that its market was harmed.
- The use was a "fair use."

# Supreme Court cases (cont'd)

- *Harper & Row Pub. Inc. v. Nation Enterprises*, 471 U.S. 529 (1985)
- 6 to 3 decision.
- Harper & Row got an unpublished manuscript and "scooped" the Nation magazine with 300 words from Pres. Ford's memoirs.
- "Unpublished" use is more likely unfair.

## Harper & Row (cont'd)

- Use was commercial.
- There was a demonstrated market harm because TIME Magazine paid to print an excerpt. When they were "Scooped" by the Nation, they cancelled the contract.
- The use was not a "fair use."

# Music Parody cases.

- *Elsmere Music Inc. v. NBC*, 482 F.Supp. 741 (SDNY 1980), aff'd, 623 F. 2d 252 (2d Cir. 1980)(20 seconds of use is "fair use").
- *Fisher v. Dees*, 794 F.Supp. 432 (SDNY 1980)(29 seconds of use of "fair use").
- *MCA Music v. Wilson*, 425 F. Supp. 443 (SDNY 1976)(entire song length use is not "fair use").
- MCA was also not a parody, it was a satire.

# Introduction of "Transformative Use" to Copyright Law.

- In 1990, realizing that "fair use" was illusive and nebulous, Judge Pierre Leval wrote, *Toward a Fair Use Standard*, an article in 103 Harvard Law Review 1105.
- He tried to solve a problem, but made it worse.
- In it, he raised "transformative use", but it was based on an 1841 standard, *Folsom v. Marsh*, a case involving George Washington's letters.

# Leval's article

- "In 1841, Justice Story articulated an often-cited summary of how to approach a question of fair use: "In short, we must often look to the nature and objects of the selection made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, diminish the profits, or supersede the objects of the original work.'"

# Leval's article

- "I believe the answer to the question of justification turns primarily of whether and to what extent the challenged use is TRANSFORMATIVE. The use... must employ the quoted matter in a different manner for a different purpose than the original.
- If...the secondary use adds value to the original..this is the very type of activity that the fair use doctrine intends to protect for the enrichment of society.

# Differences Between Leval's Article and the Statute.

- Section 107 (4): the effect of the use upon the potential market for or value of the copyrighted work.
- Leval's proposal: degree in which the use may prejudice the sale, diminish the profits, or supersede the objects of the original work."

# Differences in Standards

- Judge Leval puts the degree to which the work is transformative in factor one, (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.
- Therefore, there are TWO INQUIRIES made in factor one: 1) the purpose and character of the use, and 2) the TRANSFORMATIVE nature of the work.

# Why is 1841 significant?

- In 1841, the year of *Folsum v. Marsh*, Judge Leval's source of his article, there was no translation right, no adaptation right, no derivative work right.
- For example, in 1853, a German language translation of Harriet Beecher Stowe's "Uncle Tom's Cabin" did not infringe the copyright in the English language edition because it was not a COPY.
- Today, it would infringe.

# The Right to Prepare Derivative Works

- With the 1909 Copyright Act, the US Congress provided the derivative work right.
- Today, it is codified in 17 USC § 106(2).
- A "derivative work" is defined 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. A work consisting of editorial revisions, annotations, elaborations, or other modifications, which, as a whole, represent an original work of authorship, is a 'derivative work.'"

# Transformative Use Conflicts With The Derivative Work Right

- The more TRANSFORMATIVE the more likely the work is a fair use. (Leval)
- Any form in which a work may be recast, TRANSFORMED, or adapted is an INFRINGING DERIVATIVE WORK. (§ 106(2)).

# Campbell v. Acuff-Rose Music

- The damage started when Judge Leval's article was cited in an often mis-cited case, *Campbell v. Acuff-Rose Music*, 510 US 569, 579 (1994).
- *Campbell* is cited for the proposition that "parody is fair use." That is not what the case said.

# Campbell (cont'd)

- The Sixth Circuit created several legal errors, mainly holding that a commercial use meant market harm, without doing any analysis, and error regarding the extent of the taking.
- The case was remanded back to the Sixth Circuit, and remanded back to the district court....and then it settled.
- The answer to the question "Is Two Live Crew's parody a "fair use" was "it may be."

# Campbell (cont'd)

- The court said,
- "[T]he more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use."
- Ever since *Campbell*, almost every defendant has cited "transformative use" as a mantra.

# SunTrust Bank v. Houghton Mifflin, 266 F.3d 1257 (11th Cir.2001)

- The "Wind Done Gone" case.
- Our own review of the two works reveals substantial use of *GWTW*. *TWDG* appropriates numerous characters, settings, and plot twists from *GWTW*. For example, Scarlett O'Hara, Rhett Butler, Bonnie Butler, Melanie Wilkes, Ashley Wilkes, Gerald O'Hara, Ellen O'Hara, Mammy, Pork, Dilcey, Prissy, Belle Watling, Carreen O'Hara, Stuart and Brenton Tarleton, Jeems, Philippe, and Aunt Pittypat, all characters in *GWTW*, appear in *TWDG*. Many of these characters are renamed in *TWDG*: Scarlett becomes "Other," Rhett Butler becomes "R.B.," Pork becomes "Garlic," Prissy becomes "Miss Priss," Philippe becomes "Feleepe," Aunt Pittypat becomes "Aunt Pattypit," etc. In several instances, Randall renamed characters using Mitchell's descriptions of those characters in *GWTW*: Ashley becomes "Dreamy Gentleman," Melanie becomes "Mealy Mouth," Gerald becomes "Planter." The fictional settings from *GWTW* receive a similarly transparent renaming in *TWDG*: Tara becomes "Tata," Twelve Oaks Plantation becomes "Twelve Slaves Strong as Trees."

# Wind Done Gone

- *TWDG* copies, often in wholesale fashion, the descriptions and histories of these fictional characters and places from *GWTW*, as well as their relationships and interactions with one another. *TWDG* appropriates or otherwise explicitly references many aspects of *GWTW*'s plot as well, such as the scenes in which Scarlett kills a Union soldier and the scene in which Rhett stays in the room with his dead daughter Bonnie, burning candles. After carefully comparing the two works, we agree with the district court that, particularly in its first half, *TWDG* is largely "an encapsulation of [*GWTW*] [that] exploit[s] its copyrighted characters, story lines, and settings as the palette for the new story."

# Wind Done Gone

- Nonetheless,....the court stated " *TWDG* is more than an abstract, pure fictional work. It is principally and purposefully a critical statement that seeks to rebut and destroy the perspective, judgments, and mythology of *GWTW*."
- Also, there was no market harm found because "the estate was unlikely to license the work for that purpose."
- Fair Use

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

- Defendant had used seven reduced-sized posters of Grateful Dead posters - without permission - in a book about the group.
- The court found that it was "transformative" and was used to illustrate the book.
- Further, the reduced-sized posters did not fill the same original market as the larger ones. The larger ones were bought because of their aesthetics.
- What ever happened to the "potential market" of section 107(4)?

# Kelly v. Arriba Soft Co., 336 F.3d 811 (9th Cir. 2003)

- Internet search engine used "Thumbnail" images of those images on the website.
- The court started with " [t]he central purpose of this investigation is to see ... 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."

# Kelly (cont'd)

- The court found that the works were creative in nature (factor 2).
- The court found that an entire taking was made....but that it was necessary to do so in light of Arriba's purpose.
- Regarding the market, the court said, " A transformative work is less likely to have an adverse impact on the market of the original than a work that merely supersedes the copyrighted work."

# Kelly (cont'd)

- "One purpose of the photographs is to attract internet users to his web site, where he sells advertising space as well as books and travel packages. In addition, Kelly could sell or license his photographs to other web sites or to a stock photo database, which then could offer the images to its customers.....
- BUT...  
"Arriba's use of Kelly's images in its thumbnails does not harm the market for Kelly's images or the value of his images."
- IT DIRECTS PEOPLE TO THE WEBSITE.
- Fair Use.

Perfect 10 v. Amazon.com, 508 F.3d 1146 (9th Cir. 2007), reversing, Perfect 10 v. Google, 416 F.Supp.2d 828 (CD Cal. 2006)

- Much of the same analysis as Kelly v. Arriba Soft, but the district court held that there was interference with Perfect 10's market for downloads of adult photographs to mobile telephones. (People would just download to the computer for free.)
- 9th Circuit Court reversed.

## Perfect 10 v Amazon.com (cont'd)

- Ninth Circuit held that the thumbnails were highly transformative and the transformative nature of the photographs outweighed the negative market effect.
- The transformative nature was of high beneficial utility.

# Blanch v. Koons, 467 F.3d 244 (2d Cir. 2006)

- Artist Jeff Koons used a the most of a fashion photograph – albeit turned on its side – in a larger mural painting.
- "the use of the photograph was transformative, since it was used as part of artist's commentary on the social and aesthetic consequences of mass media."

# KCAL Los Angeles cases

- The use of film footage of the beating of a white truck driver was not a fair use when it was used to compete with the original. Reuters misappropriated a feed and broadcast it itself. OK with that.
- But, a fair use when the footage was used in the opening sequence of Court TV.

# In Music Cases, there is confusion

- If you sample – use a very, very small amount of a sound recording – you *per se* infringe – *Bridgeport Music (6<sup>th</sup> Cir.)*
- *If you use a sound recording in a film, it is fair use – Lennon v. Prestige Media (SDNY 2008).*

# Right of Publicity Cases

- "Transformative Use" made its way from copyright fair use cases to right of publicity cases.
- *Hoepker v. Kruger*, 200 F.Supp.2d 340 (SDNY 2002).
- *ETW Corp. v. Jirah Publishing*, 332 F.3d 915 (6th Cir. 2003).
- Compare with *Comedy III Partners v. Saderup*, 25 Cal. 4th 387 (Cal. 2001), cert. Denied, 534 US 1078 (2002).

# Hoepker v. Kruger, 200 F.Supp.2d 340 (SDNY 2002).

- Thomas Hoepker is a German photographer who photographed a woman, Charlotte Dabney with a magnifying glass in front of one eye. Dabney's eye fills the magnifying glass. The image was published in FOTO PRISMA in 1960.
- Barbara Kruger, a well-known artist, took the image, mounted it, and added the phrase, "It's a small world....unless you have to clean it!"
- Kruger's work was displayed at several museums.
- The museums also made refrigerator magnets, etc.

# Kruger (cont'd)

- Plaintiff sued asserting the "Right of Publicity."
- Because Kruger had used more than the photograph in her work, it was a "transformative use" and did not violate the right of publicity.
- The ancillary merchandise also was transformative and did not violate the right of publicity because it "got the art to the people."
- This seems to be the first case to allow merchansising under the "transformative use" doctrine.

# ETW v. Jireh

- A painting of Tiger Woods in three different poses, along with golfers from the past was turned into a print.
- The defendant sold editions of the print.
- Tiger Woods sued claiming that the right of publicity was violated.
- The work was "transformative" because creativity went into it by putting Tiger Woods in multiple poses and having golfers from the past included.
- In the 6th Circuit, if you arrange the subject in a number of poses or add subject matter, you can get around the right of publicity.

# Comedy III Partners.

- In contrast, in *Comedy III Partners*, the use was not "transformative" and was a violation of the right of publicity.
- Comedy III Partners took an familiar image of the 3 Stooges that they had used in their films, made a drawing of it, and sold it on T-shirts.
- Because it was not changed, it was held to be not "transformative" and, therefore, was a violation.

# What to Do About the Widespread Use of "Transformative Use."

- 1) Roll back "fair use" to the pre-Leval days. Go back to the statute.
- 2) Count "potential market[s]".
- 3) First, make a "fair use" determination using the old standards. Only a minimal use is fair - Only uses that are short in duration or do not effect the potential market.
- Uses that are entire takings, infringe.

# Have a rate court.

- Next, if it is in the middle, you cannot enjoin the use, but you can go into a rate court for "reasonable compensation."
- "Reasonable" means reasonable. The payment must compensate the copyright holder, but must not be so high as to punish the second user. The fee must encourage creativity, and also reward the copyright owner.
- The second work owes its success to the first work!

# A compulsory license already exists – Musical Compositions

- 17 USC § 115 – Anyone can do his version of a musical composition provided that he provide advance notice to the copyright holder.

The rate court is probably in line with the  
Three-Step Test.

- The three-step-test.
- The reproduction of the work shall be allowed 1) in certain special cases, 2) provided that such reproduction does not conflict with a normal exploitation of the work, and does not unreasonably prejudice the legitimate interests of the author.

# The three-step-test

- Fair use in the United States results in more and more works being used royalty-free.
- Fair use in the United States ignores the potential market of the copyright owner.
- A rate court, for those that object to the use, does not end all confusion, but it is a lot better than the situation now.

Thank You !

