No. 21-869

IN THE
# Supreme Court of the United States

THE ANDY WARHOL FOUNDATION FOR THE VISUAL ARTS, INC.,

*Petitioners,*

*v.*

LYNN GOLDSMITH AND LYNN GOLDSMITH, LTD.,

*Respondents.*

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

## BRIEF OF *AMICUS CURIAE* PHOENIX CENTER FOR ADVANCED LEGAL & ECONOMIC PUBLIC POLICY STUDIES IN SUPPORT OF RESPONDENTS

Lawrence J. Spiwak
PHOENIX CENTER FOR ADVANCED LEGAL & ECONOMIC PUBLIC POLICY STUDIES
5335 Wisconsin Avenue, NW
Suite 440
Washington, D.C. 20015
(202) 274-0235
lspiwak@phoenix-center.org

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## BRIEF OF *AMICUS CURIAE* PHOENIX CENTER FOR ADVANCED LEGAL & ECONOMIC PUBLIC POLICY STUDIES

The Phoenix Center for Advanced Legal & Economic Public Policy Studies ("Phoenix Center") submits this brief as *amicus curiae* in support of Respondents. All parties have consented to the filing of this brief. No counsel for a party authored this brief in whole or in part, and no party or counsel for a party made a monetary contribution intended to fund the preparation or submission of the brief. No person other than *amicus curiae* or its counsel made a monetary contribution to the preparation or submission of this brief.

## INTEREST OF *AMICUS CURIAE*

The Phoenix Center is a non-profit 501(c)(3) research organization that studies the law and economics of the digital age. The primary mission of the Phoenix Center is to produce rigorous academic research to inform the policy debate. Among other research areas, the Phoenix Center and its scholars have published significant academic work about intellectual property and copyright, including several papers on the appropriate bounds of fair use. The Phoenix Center, therefore, has an established interest in the outcome of this proceeding and we believe that our perspective will assist the Court in resolving this case.

## INTRODUCTION AND SUMMARY OF ARGUMENT

This case is about the appropriate bounds of fair use under Section 107 of the Copyright Act of 1976.

By way of background, under Section 106 of the Copyright Act, a rightsholder has the exclusive right, *inter alia*, to reproduce, distribute, perform, and display the copyrighted work. The rightsholder also has the exclusive right to prepare (or license) derivative works. Section 101 of 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." (Emphasis supplied.) This definition encompasses a wide array of secondary works—including, explicitly, transformations.

Notwithstanding the above, recognizing there are some compelling public interests for the use of copyrighted works in ways a rightsholder may not embrace, Section 107 of the Copyright Act provides an affirmative defense for "fair use" of copyrighted works under a limited set of circumstances. Congress determined that certain uses of intellectual property—uses including "criticism, comment, news reporting, teaching … scholarship, or research"—are so compelling that the unauthorized taking of another's property warrants a safe harbor. Such appropriation should be, as Congress intended, a high bar and limited to special circumstances. To maintain incentives for

creative effort, uses outside these enumerated types (or those reasonably akin to them that serve a compelling public interest) require permission from, and possible compensation to, rightsholders, as required by Sections 101 and 106.

To determine whether a particular use made of a work is a fair use, the Copyright Act instructs a court to consider the following four factors: (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. This Court has consistently held that a determination of fair use calls for a case-by-case analysis using a holistic approach of all four factors. Still, over time, precedent has evolved over what factors are "first among equals."

Prior to this Court's decision in *Campbell v. Acuff-Rose,* 510 U.S. 569 (1994), the fourth factor contained in Section 107 served as "the single most important element of fair use," *Harper & Row, Publishers, Inc. v. Nation Enterprises,* 471 U.S. 539, 566 (1985); *see also* B. Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions,* 156 UNIVERSITY OF PENNSYLVANIA LAW REVIEW 549 (2009). The importance of the fourth factor is entirely logical, as the first three factors are inputs into the market analysis required by the fourth factor.

However, this Court in *Campbell*—relying on an argument by Judge Pierre Leval (P. Leval, *Toward a*

*Fair Use Standard,* 103 Harv. L. Rev. 1105 (1990))—introduced the *subjective* concept of "transformativeness" into the fair use inquiry (specifically, for the first factor), even though the term appears nowhere in Section 107. In practice, this extra-statutory "transformativeness" standard has led many courts, citing *Campbell*, to reduce the statutory four-factor inquiry into a *de facto* one-step inquiry absent from Section 107—that is, is the work transformative? If yes, then full stop. The fourth factor, which is sensibly the most important factor, appears to have taken a backseat to the first factor. Yet an assessment of fair use decisions since *Campbell* suggest that "a finding of transformation in a copyright fair use claim virtually assures a finding that the use is fair." M.D. Murray, *What is Transformative? An Explanatory Synthesis of the Convergence of Transformation,* 11 CHICAGO-KENT JOURNAL OF INTELLECTUAL PROPERTY 260, 262 (2012).

Petitioner has embraced this *de facto* approach in their brief. Indeed, nowhere in Petitioner's brief is there any substantive discussion of the four-factor test set forth in Section 107. Instead, the Petitioner contends that under a simple "meaning-or-message" test, Andy Warhol "transformed" the original work "to communicate a message about the impact of celebrity and ... the contemporary conditions of life," turning an intimate image of Prince into a 'mask-like simulacrum of his actual existence'" (Petitioner's Brief at 20), and by so doing the work constitutes a "fair use." Taking this argument to its logical conclusion guts copyright altogether, turning plainly derivative works into fair uses.

As a consequence of *Campbell*, the fair use train is off the rails. This case presents this Court with an excellent opportunity to return fair use analysis to its original purpose and embrace the objective, holistic approach set forth by Congress in Section 107, limiting the fair use defense to uses that serve such a compelling public purpose that the unauthorized use of another's property is justified. A fair use inquiry firmly rooted in Section 107 is more easily conducted and will provide some consistency in judicial decisions regarding fair use (which is badly needed). To aid the Court, we outline such an objective analytical framework.

As described below, our objective analytical framework aligns with the four factors set forth in Section 107. Notably, the first three factors, in large part, set up the analysis in the fourth factor. (The market impact of one product on another requires that the two products be placed in "product space"—i.e., a determination of what the products are and how they relate to each other.)

First, the "purpose and character" of the secondary use must be determined. To qualify for a fair use defense, the secondary use must serve a compelling public interest. Such uses include "criticism, comment, news reporting, teaching … scholarship, or research," though not all of these uses need cross the threshold of justifiable infringement. If the use does not serve a sufficiently compelling public purpose, then it does not qualify for the fair use defense. The user needs to obtain a license to exploit the work.

Second, assuming the secondary use serves a compelling social purpose, the markets in which the original work could be the subject of ordinary commercial activity must be established. (The fourth factor cannot be addressed without doing so.) There are *many potential markets* for a copyrighted work, some that involve downstream (or retail) transactions (e.g., an art gallery selling originals) and some that involve upstream (or wholesale) transactions (e.g., licenses for derivative works). The full portfolio of realistic opportunities, which vary by the type of work, must be specified, else the analysis of the fourth factor is incomplete.

Third, the court must determine how much of the original view was taken. The amount and substantiality of the portion used and its relationship to the markets of the rightsholder of the original work is context specific, and that context depends on the nature of the primary and secondary work. Also, this determination serves the analysis of the fourth factor.

Finally, having laid the analytical predicate by answering the first three questions, only then can the court finally answer accurately and objectively the inquiry dictated by the fourth factor—i.e., the effect of the use upon the potential market for or value of the copyrighted work. A secondary use of compelling public value is not a fair use if it materially reduces demand in *any of the plausible market opportunities* available to the original work. Even when a secondary use serves a compelling social purpose, the user must not borrow so much, either qualitatively or quantitatively, to make the use a substitute (a competitor) for the original work.

Applying this objective analytical framework to the case at bar, Warhol's improper use of the Goldsmith picture is not entitled to a fair use determination. Warhol's works do not serve a compelling social purpose and do not constitute criticism, comment, news reporting, teaching, scholarship, or research. Mr. Warhol was not in the business of education, research, or reporting—he was engaged in the commercial business of making and selling art, and the Petitioner makes no attempt to assert otherwise. Instead, Warhol improperly used Goldsmith's photograph without permission or compensation to create works for commercial purposes that are perhaps worth millions of dollars. The first factor is determinative.

Moreover, a photographer may participate in markets by, for example, the sale of the photograph, the use of the photograph in print ads, the use of the photograph for artistic reproductions, the use of the photograph for backdrops or signage, and so forth. Not only are photographs commonly sold for artistic reproductions, but the particular photo at the heart of this dispute was licensed for the exact purpose for which Warhol subsequently exploited the work without permission. The licensing of photographs for artistic reproductions is an act of ordinary commerce for photographers, not a plausible fair use.

Finally, the loss of potential income to Goldsmith from the unauthorized taking of her property is unquestionable. Goldsmith had licensed the photograph for what turned out to be a Warhol reproduction. Goldsmith has the right, by statute, to earn income from such uses. It makes no difference that Warhol's

artistic reproduction of the photograph does not compete directly with the original photograph (though it likely does). The "potential market for or value of a copyrighted work" includes transactions for *all* plausible uses, and Warhol's work is plainly a derivative and not entitled to a fair use determination.

## ARGUMENT

### I. A Subjective Reliance on "Transformativeness" has Led to Unintended Consequences

Our Founding Fathers believed intellectual property was important enough to protect in the Constitution. Article I, Section 8 of the Constitution grants Congress the power to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. Art. 1, Sect. 8. To this end, Congress passed the Copyright Act of 1976, which has governed the field for the better part of nearly five decades.

Under Section 106 of the Copyright Act, a rightsholder has the exclusive right, *inter alia*, to reproduce, distribute, perform, and display the copyrighted work. The rightsholder also has the exclusive right to prepare (or license) derivative works. 17 U.S.C. § 106. Section 101 of 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." 17 U.S.C. § 101 (emphasis supplied). This definition encompasses a wide array of secondary works—including transformations.

Notwithstanding the above, recognizing there are some compelling public interests for the use of copyrighted works in ways a rightsholder may not embrace, Section 107 of the Copyright Act provides an affirmative defense for "fair use" of copyrighted works under a limited set of circumstances. 17 U.S.C. § 107. Congress determined that certain uses of intellectual property—uses including "criticism, comment, news reporting, teaching … scholarship, or research"— are so compelling that the unauthorized taking of another's property warrants a safe harbor. Such appropriation should be, as Congress intended, a high bar and limited to special circumstances. To maintain incentives for creative effort, uses outside these enumerated types (or those reasonably akin to them) require permission from, and possible compensation to, rightsholders.

To determine whether a particular use made of a work is a fair use, considering such uses are limited to those that serve a compelling public purpose, the Copyright Act instructs a court to consider the following four factors:

(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. *Id.*

This Court has consistently held that a determination of fair use calls for a case-by-case analysis using a holistic approach of all four factors. *See, e.g., Campbell v. Acuff-Rose,* 510 U.S. 569, 577-78 (1994) ("[The four factors] are to be explored, and the results weighed together, in light of the purposes of copyright.") (*citations omitted*); *see also Google LLC, v. Oracle America, Inc.,* 141 S.Ct. 1183, 1197 (2021) (Section 107 sets forth "general principles, the application of which requires judicial balancing, depending upon relevant circumstances, including 'significant changes in technology.'") (citations omitted).

While Section 107 outlines an objective approach to analyzing fair use, this Court in *Campbell*—relying on an argument by Judge Pierre Leval (P. Leval, *Toward a Fair Use Standard,* 103 HARV. L. REV. 1105 (1990))—introduced the *subjective* concept of "transformativeness" into the fair use inquiry, even though the term appears nowhere in Section 107. (In fact, the concept of "transformation" appears exclusively in Section 101 with regards to derivative works, which are protected from appropriation.)[1]

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[1] Given this Court's efforts to ensure that administrative agencies rigidly adhere to the plain texts of their enabling statutes, *see, e.g., Becerra v. Empire Health Foundation, For Valley Hospital Medical Center,* 142 S. Ct. 2354 (2022), it seems odd

Prior to *Campbell*—with the "incentives for creative effort" as the lodestar, *Sony Corp. of Am. v. Universal City Studios, Inc.,* 464 U.S. 417, 450 (1984)—the fourth factor contained in Section 107 served as "the single most important element of fair use." *Harper & Row, Publishers, Inc. v. Nation Enterprises,* 471 U.S. 539, 566 (1985); *see also* B. Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions,* 156 UNIVERSITY OF PENNSYLVANIA LAW REVIEW 549 (2009). Yet an assessment of fair use decisions since *Campbell* (unsurprisingly) reveals that "a finding of transformation in a copyright fair use claim virtually assures a finding that the use is fair." M.D. Murray, *What is Transformative? An Explanatory Synthesis of the Convergence of Transformation,* 11 CHICAGO-KENT JOURNAL OF INTELLECTUAL PROPERTY 260, 262 (2012).

Thus, in practice, this extra-statutory "transformativeness" standard has led many courts, citing *Campbell*, to reduce the statutory four-factor inquiry into a *de facto* one-step inquiry absent from Section 107—that is, is the work transformative? If yes, then full stop. The heavy focus on "transformativeness" suggests the fair use train is off the rails.

Petitioner has embraced this *de facto* approach in its brief. Indeed, nowhere in Petitioner's brief is there

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that for the last two decades not only has the fair use inquiry set forth in Section 107 been governed by judicial *dicta* that has no basis in statute, but (worse) that this dicta is directly at odds with the plain language Congress set forth in Section 101 regarding derivatives. What is legally good for the goose must also be legally good for the gander.

any substantive discussion of the four-factor test. Instead, the Petitioner contends that under a simple "meaning-or-message" test, Andy Warhol "transformed" the original work "to communicate a message about the impact of celebrity and ... the contemporary conditions of life," turning an intimate image of Prince into a 'mask-like simulacrum of his actual existence'" (Petitioner's Brief at 20) and, by so doing, the work constitutes a "fair use."

Balderdash.

Taking Petitioner's argument to its logical conclusion guts copyright altogether. As the Ninth Circuit just held in *McGucken v. PubOcean Ltd.,* No. 21-55854 (9th Cir. August 3, 2022) when considering a similar argument for an expansive view of fair use:

> Practically speaking, it is hard to imagine what would *not* be a fair use, or what could not be readily turned into a fair use, under [such a] theory. Any copyrighted work, when placed in a compilation that expands its context, would be a fair use. Any song would become a fair use when part of a playlist. Any book a fair use if published in a collection of an author's complete works. It would make little sense to treat this kind of "recontextualizing" or "repackaging" of one work into another as transformative. That is not the kind of creativity that "further[s] ... the goal of copyright, to promote science and the arts." Transformation requires more than "the facile use of scissors." *McGucken*, slip op. at 18 (emphasis in original).

Indeed, while Section 107 lays out an objective approach to evaluating fair use, imposing limitations on what types of works are afforded a fair use defense, Petitioner advocates for a highly subjective approach to the fair use inquiry, pushing fair use so far as to encompass derivative works. But focusing almost exclusively on whether a secondary work provides a new "expression, meaning or message" as suggested by *Campbell* (*see* 510 U.S. at 579) forces judges to act as art critics, often "seek[ing] to ascertain the intent behind or meaning of the works at issue." *Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith,* 11 F.4th 26, 41-42 (2021). As the Second Circuit astutely noted, that is not the appropriate role of a judge "because judges are typically unsuited to make aesthetic judgments and because such perceptions are inherently subjective." *Id.* If judges are "unsuited to make aesthetic judgments," then judges are unsuited to assess "transformativeness," as they are the same thing.

The primary focus of a fair use inquiry should not be whether a secondary use "adds something new" or alters "the first with new expression, meaning, or message.'" *Campbell,* 510 U.S. at 579 (citations omitted). Almost all derivative works do the same. A movie adds many new things to the book upon which it is based—the format is different; plots are altered; characters are modified. A musical recording that includes a few bars of another work may constitute a material transformation that attracts an entirely different audience, but that use is licensable and, if not licensed, is an infringement. *See Goldsmith,* 11 F. 4th at 32 (the fact that "Martin Scorsese's recent film *The Irishman* is recognizably 'a Scorsese' 'do[es] not absolve [him] of the obligation to license the original

book' on which it is based.'") *Since derivate works are transformations, and derivatives are protected, transformativeness cannot be the hallmark of fair use.*

The "purpose of copyright is to create incentives for creative effort," *Sony,* 464 U.S. at 450, or, in the parlance of economics, to motivate the creation of new works by establishing protections sufficient to facilitate on average the recovery of the opportunity costs of creation. *See* T.R. Beard, G.S. Ford and M. Stern, *Fair Use in The Digital Age,* 65 J. COPYRIGHT SOC'Y U.S.A. 1, 5 (2018). There are, however, compelling public concerns that are equal to, or even superior to, commercial motivation. Accordingly, *the central purpose of the fair use inquiry, as set forth plainly in Section 107, is to limit unauthorized exploitations of copyrighted works to uses that serve such a compelling public interest that a safe harbor against infringement is warranted.* And, in affirmative cases, to limit the unauthorized use to only what is necessary, thus maintaining the incentives to create new works while also furthering important social purposes. In effect, a fair use must be so compelling that the unauthorized use of another person's property is justified.

## II. A Determination of Fair Use Should Use an Objective, not Subjective, Analytical Framework

This case presents this Court with an excellent opportunity to return fair use analysis to its original purpose and embrace the objective approach set forth by Congress in Section 107. To aid the Court, we describe such an objective analytical framework below.

### Step 1: What is the "Purpose and Character" of the Secondary use?

In a fair use inquiry, it is sensible to begin with the first factor—the "purpose and character" of the secondary use—as it may be determinative. The threshold question in fair use analysis is whether the secondary use serves such a compelling public interest that infringement—the unauthorized taking of another's intellectual property—is justified. By statute, such compelling interests involve activities "such as criticism, comment, news reporting, teaching … scholarship, or research." 17 U.S.C. § 107. Section 107 also directs courts to consider "whether [the secondary use] is of a commercial nature or is for nonprofit educational purposes," a determination that is not merely perfunctory, but which reinforces the activities Congress intended to afford a safe harbor. As part of the analysis, as suggested by the first factor, it may be useful to contemplate whether the user is in the business of providing services like those enumerated in the statute (e.g., news reporting done by news outlets), or else a commercial entity engaged in commercial activities not afforded a fair use safe harbor. An analysis of all four factors is necessary for a plausible fair use, not an obvious infringement.

The "such as" qualifier on the enumerated types is not a license to improvise. These types of works reflect important public interest concerns such as free speech, education, and research. As observed in *Eldred v. Ashcroft*, "copyright law contains built-in First Amendment accommodation" including the fair use defense which affords "latitude for scholarship and comment." 537 U.S. 186, 219-20 (2003). Not every

secondary work qualifies as a fair use no matter how different (or transformed) it is from the original. Only certain types of secondary works—delineated by Congress—qualify for the safe harbor. In some cases, a secondary work may clearly coincide with the enumerated types, and the user is normally engaged in providing such works. A news story by a news outlet clearly satisfies the requirements for a fair use defense. In other cases, a use will clearly fall outside the types of works Congress aimed to protect from infringement claims, and if so the first factor is determinative. (The case at bar is certainly an example.) If profiting from the sale of secondary works is the business plan, *and the secondary use serves largely a commercial interest without any larger social purpose*, then there is no obvious public interest rationale for allowing unauthorized use of an original work. The secondary user needs to obtain a license, and if negotiations fail, then the user needs to find another work to exploit, or else rely on her own talents to create new things.

In other instances, a secondary use may have a fragile relationship to works Congress intended to represent a fair use. There is not always a bright-line between the derivates and fair uses. To wit, a parody, which is not listed as a protected work, may be loosely viewed, at least in some circumstances, as comment or criticism. If the "comment" serves a commercial entertainment purpose and the user is in the commercial entertainment business, then such exploitations are unlikely to satisfy what Congress aimed to protect as a fair use. Entertainment has value, but it is not so important to justify the appropriation of another's property. In such cases, the

court may summarily dismiss the case as a fair use, or else subject the use to a higher level of scrutiny.

No doubt, distinguishing uses as inside or outside the enumerated types may be easy in some cases, but difficult in others. Still, some uses are clearly outside the bounds, while others are clearly within the bounds. In unclear cases, the fair use inquiry should apply stricter scrutiny of the use, and the four factors are designed for such purposes.

With respect to the purpose and nature of the secondary work, nothing in Section 107 refers to transformation. In fact, "transformativeness" has *nothing* to do with it. Section 107 is a largely *objective* standard—is the work, with possible reference to the business of its creator, of the sort Congress intended to grant a safe harbor because the work serves such a compelling public interest that unauthorized use of another's property is justified? If not, then the secondary work is not a fair use. Transformativeness speaks to the fourth factor, not the first. *See generally,* Beard *et al. supra.*

**Step 2: Define the Relevant Market for the Primary Work**

The second factor—the nature of the copyrighted work—is related to the first factor and directs the court to consider: *what are the markets in which the original work could be the subject of ordinary commercial activity?* That is, what are the markets in which the original work may be plausibly sold or licensed? The "purpose of copyright is to create incentives for

creative effort," *Sony,* 464 U.S. at 450, and financial incentives are a driver of sustained, creative effort.

There are *many* potential markets for a copyrighted work, some that involve downstream (or retail) transactions (e.g., an art gallery selling originals) and some that involve upstream (or wholesale) transactions (e.g., licenses for derivative works). As this Court observed in *Campbell*, the "licensing of derivatives is an important economic incentive to the creation of originals," *Campbell,* 510 U.S. at 592-3. Thus, as Justice Thomas wisely warned (if not prognosticated) in his dissent in *Oracle,* it is crucial for this Court not to "conflate[] transformative use with derivative use." *Oracle,* 141 S.Ct. at 1219 (Thomas, J. dissenting). Why? Because if secondary uses that are ordinarily licensable are "carried out in a widespread and unrestricted fashion, [such] conduct would destroy [the rightsholder's] licensing market." *McGucken, supra,* slip op at 24.

Defining the relevant markets in which a copyrighted work is an item of ordinary commerce serves two purposes: it may aid the assessment of the first factor and it is required for the analysis of the fourth factor.

In some cases, it may be sensible to jointly consider the first and second factors. For instance, it may be useful to inquire whether the secondary use is an item of ordinary commercial activity for the type of original work. If so, the work is likely a derivative, or else licensable on other grounds, and thus unlikely to be a fair use. The scope of derivative works is broad, including secondary works "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[,] editorial revisions, annotations, elaborations, or other modifications." 17 U.S.C. §101 (emphasis supplied). Any licensing opportunity common to a work of a particular type is not a "hypothetical" market; these are real opportunities. *See generally McGucken, supra.* To secure incentives for creative effort, these market applications—both upstream and downstream—should be protected from unauthorized exploitations, especially by commercial entities engaged in commercial activities. Certainly, there may be exceptions, but this Court should avoid making the exception the rule. *Fair use is not a mere substitute for permission*.

A secondary use that dodges licensing fees in an upstream market by claiming fair use is potentially no less damaging, and perhaps more damaging, than is a secondary use that competes with the original work or a derivative in downstream markets. (If a secondary work competes with a derivative work, then it is likely a derivative work itself.) For some copyrighted works, the licensing of secondary uses may be the primary article of ordinary commerce, such as stock photographs. Allowing such appropriations of property risks a fair use defense being nothing more than "pure shtick." *C.f., Dr. Suess Enterprises v. Penguin Books USA,* 109 F.3d 1394, 1043 (9th Cir. 1997). The instant case, for example, is an obvious case of user hiding behind fair use for what is plainly a derivative work. Using a photograph or video clip to establish context in an educational documentary

film is probably fair use, but the same use for entertainment purposes is not. *See, e.g., Elvis Presley Enters. v. Passport Video,* 349 F.3d 622, 629 (9th Cir. 2003) (using video clips of musical performances for their "intrinsic entertainment value" was not fair use), *overruled on other grounds as stated in Flexible LifeLine Sys., Inc. v. Precision Lift, Inc.,* 654 F.3d 989, 995 (9th Cir. 2011) (*per curiam*).

Imagine a case where (1) the secondary work may be weakly described as comment or criticism; (2) the secondary user is a commercial entity that produces works for profit; and (3) the type of secondary use is often licensed in commercial settings. An example is the re-recording of a musical work with different lyrics. While recording a cover of a song falls under a compulsory license, a rendition of the same song with altered lyrics requires permission from (and possibly compensation to) the rightsholder. *See* 17 U.S.C. § 115(b); *and c.f. Henley v. Devore,* 733 F. Supp. 2d 1144 (C.D. Cal. 2010). Altering the lyrical content of a song almost certainly changes meaning or message, but such transformation does not make the appropriation a fair use. Many works described as "parody" take wholesale the musical composition and modify the lyrics (*e.g.,* the catalog of Weird Al Yankovic). Whether those lyrics are comedic or otherwise is immaterial—a re-recording of a song for commercial gain that alters the lyrics *requires a license.* Since such works depend on a close similarity to the original for their commercial value, the rightsholder deserves compensation for contributing to that commercial value. *Henley, id.* If an agreement cannot be reached, then the secondary user can find other material to exploit.

Viewed from this perspective, this Court's heavy emphasis upon "transformation" in *Campbell* was misplaced. 2-Live-Crew's *Pretty Woman*, which was based on the classic Roy Orbison tune of the same name, borrowed unmistakable portions of the original recording. 2-Live-Crew is a commercial entity that records musical compositions for profit and *Pretty Woman* was placed on their album *As Nasty as They Want to Be* in the same manner as their other recordings. In the normal course of business, the sampling of recordings or the rewriting the lyrics is a licensable activity, so *Pretty Women* is scarcely a fair use. Indeed, 2-Live-Crew sought a license, was denied, but proceeded nonetheless to use the original work, turning fair use into a substitute for a license. *Campbell,* 510 U.S. at 572-73. If Congress wanted to give such parasitic makeovers a compulsory license, then it could do so. It did so for covers but did not for remakes that alter lyrics or otherwise appropriate from musical compositions. *See* 17 U.S.C. § 115(b). Holding that 2-Live-Crew's *Pretty Woman* was "transformative" likely did substantial damage to, if not destroyed, the licensing market for one of the most recognizable riffs in the rock-and-roll genre. *See generally,* J. Runtagh, *Songs on Trial: 12 Landmark Music Copyright Cases,* ROLLING STONE (June 8, 2016).

In many respects, the parody claim for fair use, like that used in *Campbell*, has been given far too much latitude. The *Merriam-Webster Dictionary* defines parody as "a literary or musical work in which the style of an author or work is closely imitated for comic effect or in ridicule." In other words, a parody is *an imitation of a style* and not an altered copy of the original. For instance, the Austin Powers movies are

a parody of James Bond movies. Certainly, the title *The Spy Who Shagged Me* references the James Bond movie *The Spy Who Loved Me*, and the general content of the film is unmistakably a play on the genre. Yet, while the parody makes easily discernible reference to the original, it did not simply layer modifications on copies of substantial material from the original that would normally be subject to a license. The comedic musings of Mike Myers were not merely dubbed over the voice of Roger Moore. The creators of the parody undertook the drudgery of creating something new, and such effort is what copyright intends to encourage. *See generally Dr. Seuss Enterprises v. Penguin Books, supra*; *Dr. Suess Enterprises v. ComixMix LLC,* 983 F.3d 443 (9th Cir. 2020).

**Step 3: How Much was Taken?**

Even when the secondary use reasonably fits into the class of enumerated works that Congress laid out in Section 107, the appropriation is not unbridled. Section 107 sets limitations on the "amount and substantiality of the portion used" of the original work. Thus, even for works that serve a compelling public interest, Congress intended the taking to be limited. Such limits confirm that Congress intended fair use to be a limited, not an expansive, exception to the rights provided by Section 101 and 106. Unauthorized use of another's property is a serious offense; permission to do so should not be granted willy-nilly.

The "amount" used addresses quantity, as in the number of words copied from a book as part of a review. While using snippets of copyrighted works for commentary or educational purposes, such as a news

story or a documentary film, likely constitute a fair use, *see, e.g., Brown v. Netflix, Inc.,* 855 Fed. Appx. 61, 2021 U.S. App. LEXIS 14673 (2nd Cir. 2021) (the use of eight seconds of the plaintiff's song in a documentary film was a fair use), a two-page book review appended to the entire original and sold as a package takes too much and thus is not a fair use. Nonetheless, secondary uses of entire works may be a fair use in some circumstances, such as the copying of materials for educational purposes.

The "substantiality" of the used portions speaks more to essence than quantity. Even when the quantity used is small, that quantity may represent substantially the essence of a work. For instance, the appropriation of important statistical tables from a book may materially reduce the demand for the original.

The amount and substantiality of the portion used and its relationship to the markets of the rightsholder of the original work is context specific, and that context depends on the nature of the primary and secondary work (the first two factors). Still, if the use is not of the sort Congress intended to shield under the fair use exception, and it represents what is normally a licensable activity, then the secondary work is not fair use irrespective of how much of the original is used. Downloading hundreds of academic papers and making them available online for a fee is not the same as making copies for a graduate school class; lifting whole passages from someone else's law review and holding it out as original work is just plain plagiarism, not fair use.

**Step 4: The Fourth Factor**

Almost all the work thus far sets up the analysis of the fourth factor. With incentives for creative effort as the lodestar, it is unsurprising that this Court held (and should continue to hold) that the fourth factor (and not the first factor as Petitioner essentially advocates) is "undoubtedly the single most important element of fair use." *Harper,* 471 U.S. at 566. Analysis of the fourth factor—the effect on the use upon the potential market for or value of the copyrighted work—depends on the conclusions drawn from the analysis of the first three factors. The effect on the demand for the original, which is the essence of the fourth factor, undoubtedly depends on the markets in which the original work is the subject of ordinary commerce, and the amount and substantiality taken.

Properly construed, the fourth factor imposes limits on a plausible fair use and not on any use whatsoever. A purely commercial, normally licensable work is not a fair use simply because it has little effect on the market for the original. A derivative work, say a movie based on a book, may in fact increase the demand for the original work, but it is not a fair use in doing so. If a use is not a plausible fair use, then there can be no refuge in the fourth factor; the fourth factor is for plausible fair uses, not derivatives. Otherwise, the four factors are reduced to a single factor—the fourth—which suffers the same flaw as transformativeness with the exception that the fourth factor appears in Section 107 while "transformativeness" does not.

If a commercial use is valuable to society in aggregate—and thus not socially destructive and inconsistent with the purpose of copyright—then the secondary user has something substantial to offer the rightsholder who should be compensated for her contribution to the value of the secondary work in an ensuing bargain. There are incentives for both sides to negotiate if the new use is valuable in aggregate. Obtaining a license need not reduce the expansion of creative works—it encourages the creation of original works that may be used as the foundation for further creative efforts. Uses that do not increase value are either socially undesirable, and thus the rules should not permit them, or else the user may make a fair use claim *as Congress intended*, but not as a mere substitute for a license. Fair use is not parasitic, but it is also not an excuse to evade payment for commercial uses when such payment is normally required.

## III. Petitioner Fails this Objective Test for Fair Use

The facts of this case are well established. Goldsmith, a professional photographer, licensed a photograph of the artist Prince to Vanity Fair magazine for an artistic elaboration (a derivative work) by an unknown artist. That artist was Andy Warhol. Unbeknownst to Goldsmith, Warhol produced fifteen more works outside the contractual obligations under which he obtained access the photograph. Warhol's use of the photograph is unmistakable and uncontested. In most respects, the case at bar is better characterized as a breach of contract than a fair use dispute.

Proceeding under the objective framework outlined above, the first issue (the first factor) is whether Warhol's works constitute criticism, comment, news reporting, teaching, scholarship, or research; that is, the use serves such a compelling public interest that the unauthorized use of someone else's property is justified. They do not. Mr. Warhol was not in the business of education, research, or reporting—he was engaged in the commercial business of making and selling art. The Petitioner makes no attempt to assert otherwise. Instead, Warhol improperly used Goldsmith's photograph without permission or compensation to create works for commercial purposes that are perhaps worth millions of dollars. As Mr. Warhol once famously observed, "being good in business is the most fascinating kind of art. Making money is an art and working is art and good business is the best art." *Source:* BrainyQuote.

Moreover, a photographer may participate in markets by, for example, the sale of the photograph, the use of the photograph in print ads, the use of the photograph for artistic reproductions, the use of the photograph for backdrops or signage, and so forth. The licensing of photographs for artistic reproductions is an act of ordinary commerce for photographers. *See generally, McGucken, supra.* Not only are photographs commonly sold for artistic reproductions, but the photograph at the heart of this dispute was licensed for the exact purpose for which Warhol subsequently appropriated the work. Warhol's secondary works took in whole Goldsmith's photograph. As the Second Circuit found, Warhol's "screenprint [is] readily identifiable as deriving from a *specific* photograph

of Prince, the Goldsmith photograph." 11 F. 4th at 40 (emphasis in original).

Finally, the loss of potential income to Goldsmith from the unauthorized taking of her property is unquestionable. Goldsmith had licensed the photograph for what turned out to be a Warhol reproduction. Goldsmith has the right, by statute, to earn income from such uses, and she did so. It makes no difference that Warhol's artistic reproduction of the photograph does not compete directly with the original photograph (though it likely does). The "potential market for or value of a copyrighted work" includes transactions for *all* plausible uses.

By any objective standard, Warhol's use of the Goldsmith photograph is not fair use; the use is a demonstrably derivative work, made by a commercial business for commercial purposes. Thus, to paraphrase Justice Thomas' dissent in *Oracle,* if these effects on Goldsmith's potential market *favor* Warhol, then "something is very wrong with [this Court's] fair use analysis." *Oracle,* 141 S.Ct. at 1218 (Thomas, J. dissenting).

## IV. Policy Implications

The present case is important mostly because it exposes how the concept of "transformativeness" has distorted the fair use inquiry, pushing the boundaries of fair use well beyond those intended by Congress. *Campbell* unfortunately opened the door for lower courts to reduce Section 107's four factor approach to a singular, subjective assessment—nowhere mentioned in the text of Section 107—that has little-to-

nothing to do with classifying a work as something Congress intended to afford the fair use safe harbor. This case demonstrates the point. The Petitioner makes no effort to evaluate the secondary use in the context of the four factors, and the Petitioner offers no argument that the use satisfies Congressional intent for protecting certain types of works from the consequences of infringement. Indeed, the Petitioner makes only passing references to terms "second factor," or "third factor," or "fourth factor" in their brief to describe the Second Circuit's reasoning below. The Petitioner focuses their affirmative defense exclusively on transformation.

The degree of transformation may speak to the fourth factor (i.e., is it an economic substitute for the original), and certainly has some importance in infringement cases (and fair use cases are infringement cases). A secondary work that is sufficiently transformative to escape infringement need not do so under a fair use claim; in fact, the rejection of the fair use defense does not necessarily imply infringement. To conclude a secondary work is a fair use simply because it is sufficiently transformative to avoid infringement confuses non-infringement by transformation and justifiable infringement by fair use.

Which brings us back to the crux of Petitioner's argument: Warhol's status as a "star" artist makes his unlawful appropriation of Goldsmith's photograph a fair use. However, the logic of this argument is precisely backwards. As the Second Circuit correctly held below:

> [E]ntertaining that logic would inevitably create a celebrity-plagiarist privilege; the more established the artist and the more distinct that artist's style, the greater leeway that artist would have to pilfer the creative labors of others. But the law draws no such distinctions; whether the Prince Series images exhibit the style and characteristics typical of Warhol's work (which they do) does not bear on whether they qualify as fair use under the Copyright Act"). *See Goldsmith*, 11 F.4th at 43

The high prices associated with Warhol's art create an opportunity for Warhol and Goldsmith to share in those gains. Goldsmith, as a professional photographer, is in the business of licensing her works. Thus, if Warhol could not reach a deal with Goldsmith—and the evidence reveals Goldsmith was a willing seller and that Warhol had a well-known history of being a willing buyer (*see* Respondent's Brief at 38-39)—then Warhol could have licensed a different photograph of Prince to serve as the basis for his works (or simply took a photograph himself). *C.f. McGucken,* slip op. at 24-25 ("an infringing use would destroy a derivative market when the infringing work is of the same type as existing works by licensed users"). The fact Warhol used Goldsmith's photograph speaks to Goldsmith's skill as a photographer, and such talent and effort demands permission and possibly compensation to Goldsmith.

## CONCLUSION:

Judicial precedent, and interpretations thereof, holding that "transformativeness" is the linchpin of fair use analysis have resulted in more confusion than clarity, pushing the fair use defense into areas beyond that intended by Congress. Certainly, a legitimate fair use must be different than the original work, but transformation cannot make a derivative work a fair use. Judges should not be forced to divine the "meaning" and "message" of artistic works, a purely subjective endeavor not taught in law school. Besides, almost all secondary uses involve a transformation to some degree, and even substantial transformations may still be infringing. Derivative works are often highly transformative yet are protected by copyright law, and the term "transformed" appears in copyright law only for derivative works. Since derivatives are transformative, transformation cannot be the determining factor for whether a secondary work is plausibly a fair use.

In assessing fair use claims, Section 107 of the Copyright Act outlines an objective framework for analyzing fair use. Congress set forth a limited set of works that may qualify for fair use (i.e., commentary, criticism, news, education, research). These secondary works serve such a valuable social purpose that Congress granted them a safe harbor. Had Congress wanted fair use to apply to any-and-all secondary uses, then the list would be unnecessary. Subjective assessments of "meaning" and "message" are not required, nor demanded, or even intimated, by statute. If the use is a lacks an obvious, compelling public purpose but is a commercial work by a commercial entity,

and the use is an article of ordinary commerce for the original work, then the use is not a fair use, no matter how different it is from the original. Commercial activity is important to the economy, but most of it does not rise to the level of justifying the theft of property. Even when the use fits into Congressional intent, there are limits—use must not borrow so much that it serves as a good substitute for the original. *See, e.g., Los Angeles News Service v. KCAL-TV Channel 9,* 108 F.3d 1119 (9th Cir. 1997).

Andy Warhol once remarked that "art is what you can get away with." *Source:* BrainyQuote. From an aesthetic perspective, his observation may be true. But if Copyright law is to have any value, then Warhol's observation does not mean that one artist has an unfettered license to steal another artist's intellectual property for commercial gain whilst hiding behind the thin veil of subjective creative discretion.

For the foregoing reasons, we join with Respondents and ask this Court to uphold the Second Circuit's ruling below.

Respectfully submitted,

Lawrence J. Spiwak
*Counsel of Record*
PHOENIX CENTER FOR ADVANCED LEGAL & ECONOMIC PUBLIC POLICY STUDIES
5335 Wisconsin Ave., NW
Suite 440
Washington, D.C., 20015
(202) 274-0235
lspiwak@phoenix-center.org

*Counsel for Amicus Curiae*

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