

The 'Transformation' Of The Copyright Fair Use Test

Law360, New York (December 19, 2014, 10:09 AM ET) -- The purpose of United States copyright law is “[t]o promote the Progress of Science and the useful Arts.” U.S. Const., Art. I, § 8, cl. 8. This purpose is achieved not only through protection of copyrighted works, but also by allowing “some opportunity for fair use of copyrighted materials.” *Campbell v. Acuff-Rose Music Inc.*, 510 U.S. 569, 575 (1994). Accordingly, the current Copyright Act includes a defense that insulates the “fair use of a copyrighted work” for “purposes such as criticism, comment, news reporting, teaching ... scholarship, or research.” 17 U.S.C. § 107. The act identifies four nonexclusive factors that “shall” be considered in evaluating 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; and (4) the effect of the use upon the potential market for or value of the copyrighted work.” *Id.*

While the factors have remained largely unchanged since the adoption of the current act, the manner in which courts apply them has been evolving. In particular, some courts have placed substantial emphasis on a single consideration — whether a new work is “transformative” of an older work — in evaluating fair use. This singularity of focus, on a factor not expressly referenced in the Copyright Act, has prompted others to push back and insist upon an analysis that is arguably more faithful to the actual language of the statute. While this tug-of-war has yet to see a winner, the differing approaches can substantially affect both copyright clearance issues and litigation strategy.

The consideration as to whether an allegedly infringing work is “transformative” first gained substantial attention following the [U.S. Supreme Court](#)’s ruling in *Campbell* (the court’s prior opinions addressing fair use under Section 107 — [Sony Corp. v. Universal City Studios Inc.](#), 464 U.S. 417 (1984), and *Harper & Row v. Nation Enters.*, 471 U.S. 539 (1985) — did not use that term).

In *Campbell*, the court considered whether a parody of the song “Pretty Woman” constituted a fair use. In addressing the first statutory factor, the court stated that a primary consideration is whether the new work “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.’” *Campbell*, 510 U.S. 579. The court added that “the more transformative the new work, the less will be the significance of other factors,” *id.*, though it emphasized the importance of consideration of all of those factors, *id.* at 584-85.

Following *Campbell*, courts increasingly seized on this language to insulate “transformative” works from liability. This trend reached a zenith in *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013), a case involving so-called “appropriation art.” Prince incorporated 35 of Cariou’s photographs into his own artworks, adding other artistic elements to varying degrees. Cariou sued and the district court ruled in his favor, but the Second Circuit reversed in substantial part, finding fair use with respect to most of Prince’s artworks. *Id.* at 698-99. It characterized the “transformative” issue (i.e., the “manner in which the work is used”) as the “heart of the fair use inquiry,” *id.* at 705, a statement seemingly at odds with the Supreme Court’s prior pronouncement that the fourth factor — the effect on the potential market for or value of the

underlying work — is “undoubtedly the single most important element of fair use.” Harper & Row, 471 U.S. at 566.

The Second Circuit then found that most of Prince’s artworks were transformative, in that they had a “different character, [gave] Cariou’s photographs a new expression, and employ[ed] new aesthetics with creative and communicative results distinct from Cariou’s.” Cariou, 714 F.3d at 708.

With that determination, most of the other fair use considerations fell by the wayside. Although the court conceded that Prince’s artworks were commercial, it “[did] not place much significance on that fact due to the transformative nature of the work.” Id. at 708. It also concluded that the fourth factor (effect on the potential market) weighed in favor of fair use, again because of the transformative nature of Prince’s work. Id. at 709. Likewise, although the creative nature of Cariou’s work would normally weigh against a finding of fair use, the court characterized this factor of “limited usefulness where ... the creative work of art is being used for a transformative purpose.” Id. at 710. And although the court conceded that several of Prince’s works used Cariou’s photographs in whole or substantial part (which would typically militate against fair use), it found that this factor actually weighed heavily in favor of Prince, because he “transformed these photographs into something new and different.” Id.

The approach in Cariou has not gone unchallenged. Most notably, in *Kienitz v. Sconnie Nation LLC*, 766 F.3d 756 (7th Cir. 2014), the Seventh Circuit called out the Cariou decision, criticizing its over-reliance on the “transformative” nature of a work at the expense of the statutory fair use factors. It noted that “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.” Id. at 758. Accordingly, the Seventh Circuit “[thought] it best to stick with the statutory list, of which the most important usually is the fourth (market effect).” Id.

The Seventh Circuit’s skepticism of the Cariou approach is understandable. As is evident from the Cariou opinion itself, undue emphasis on the transformative nature of the allegedly infringing work threatens to eviscerate the statutory factors. Equally apt is the Seventh Circuit’s question as to how “every ‘transformative’ use can be ‘fair use’ without extinguishing the author’s rights under § 106(2).” *Kienitz*, 766 F.3d at 758. Section 106(2) affords a copyright owner the exclusive right “to prepare derivative works based on the copyrighted work.” 17 U.S.C. § 106(2). A “derivative work,” in turn, is defined as “a work based on one or more preexisting works,” including dramatizations, fictionalizations, “or any other form in which a work may be recast, transformed, or adapted.” 17 U.S.C. § 101. To suggest — as Cariou arguably does — that “transformation” of an existing work points strongly (or inexorably) to fair use either eliminates or substantially limits an owner’s exclusive right to create derivative works.

Cariou addresses this issue in part, noting that “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.” Cariou, 714 F.3d at 708. But the impact of Cariou is arguably to limit the scope of protectable derivative works to those nontransformative forms (e.g., translations, abridgements, etc.); if the derivative work incorporates “new expression” or “new aesthetics with creative and

communicative results distinct from” the original, id., then Cariou suggests that a finding of fair use is likely to follow.

This outcome is seemingly inconsistent with the language of the Copyright Act — “dramatizations” and “fictionalizations” are likely to include new expression and have creative and communicative results distinct from the underlying work, but the right to create them is expressly reserved to the owner of the original work (along with any other form in which the original work may be “transformed”). 17 U.S.C. §§ 101, 106(2). It seems unlikely that Congress intended to take away with one hand (§ 107) what it had just given with the other (§106(2)). This approach would also insulate virtually all “fan fiction” (i.e., new or modified stories, generally written by fans, building on characters and events depicted in original works of fiction) from liability, because fan fiction typically involves new expression and creative results that are distinct from — indeed, that often substantially depart from — the original. While some organizations have advocated such a position (see, e.g., The Organization for Transformative Works, FAQ – Legal (<http://transformativeworks.org/faq>), this view is far from universally held.

The divergent approaches reflected in these opinions present numerous challenges for practitioners. Lawyers are frequently asked to clear copyright issues for new works. When a new work is based on an existing work, the different approaches that the courts have adopted in analyzing fair use can significantly complicate the analysis. First, the lawyer will presumably grapple with the degree to the new work is “transformative.” But assuming the lawyer concludes the work is transformative, she or he must also decide the significance to afford to such conclusion. Should the lawyer then treat the creative nature of the underlying work as of “limited usefulness” (Cariou, 714 F.3d at 709), because the new work is transformative? Does the “transformative” nature of the new work justify inclusion of the entirety of the underlying work? Can the lawyer ignore (or heavily discount) the fact that the new, transformative work is also highly commercial?

The answers to these questions likely depend upon the risk tolerance of both the lawyer and the client — exclusive reliance on the Cariou approach clearly carries with it substantial risk, given the ongoing difference of opinion respecting proper application of the test. Adding to the uncertainty is that Cariou’s formulation of the test elevates the subjective artistic sensibilities of the particular judge hearing the matter to new levels, making the exercise of clearing a work particularly difficult. That is clear from Cariou itself, where different judges could easily have drawn the line between transformative or not in distinctly different places, and from the fact that each of the fair use cases that has gone to Supreme Court in the past 30 years has been overturned at each level of review.

The same issues arise in considering litigation strategy. If a case is filed within the Second Circuit, a litigator must consider whether to rely principally on the transformative nature of the new work, or whether instead (or in addition) to fully address all of the relevant factors without regard to whether the new work is found to be transformative or not. The more conservative, and arguably more prudent, approach would be to fully address all factors, thereby accounting for the possibility that the Second Circuit may retreat from its expansive reliance on the transformative nature of the new work and/or that the Supreme Court may intervene on the issue. Likewise, practitioners in other circuits would be well advised to consider addressing the question of

whether a new work is transformative in litigating the defense, as well as a robust, independent treatment of the statutory factors.

Another impact of these different approaches is on choice of forum. Until the differences are resolved, their existence may promote forum shopping when issues of fair use are likely to arise. The artist or author whose new work is based on a preexisting work may rush to seek declaratory relief in the Second Circuit that the work is transformative and thus “fair.” By the same token, a copyright owner may jump to file within the Seventh Circuit if the ostensibly “transformative” nature of the otherwise infringing work is likely to be at issue. This issue may be more theoretical than real — the decision to preemptively file a declaratory relief action is not made lightly, particularly where there is no guarantee that an infringement suit is forthcoming. But if a defendant with a “transformative” work is going to be in litigation, the Second Circuit presents an attractive forum.

In light of the increasing prevalence and significance of creative works implicating fair use issues, including fan fiction, appropriation art, “new media” applications for old material, and the like, the proper application of the fair use test — and particularly the significance of the “transformative” nature of an allegedly infringing work — is likely to occupy courts and practitioners for years to come.

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