CHAPTER THIRTEEN
Limitations on Exclusive Rights: Fair Use

§ 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—

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The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

Section 107 of the Copyright Act contains its most famous limitation—fair use—though not its most important limitation, which is clearly the idea-expression distinction. The idea-expression and fact/expression dichotomy says that while you cannot have the expression, the facts and ideas in any work are yours. But what if you need the expression? Or if you should have the expression in order to promote the progress, the foundational goal of copyright? That is where fair use comes in. We have said many times—in *SFAA v. USOC*, for example—that the most common defense of intellectual property against First Amendment claims is “you don’t need the protected material! Paraphrase!” Fair use is for when the paraphrase will not work. (To use Justice Brennan’s non intellectual property example, a T shirt saying ‘I strongly resent the draft’ would not be same.) And fair use also covers those cases where the right to prevent copying should have no role in the first place.

But fair use is something else as well—it has become the duct tape of copyright, the thing courts turn to when something systemic needs to be fixed right now.

Congress (and the happenstance of technological development) continue to drop new technologies and forms of media into the bed marked “copyright,” with scant guidance to judges about how they are to deal with the resulting chaos. We are not referring only to software. There is the reality of a global web that is spidered, copied, every day by search engines, and must be if it is to be navigable. We now live constantly with devices on which reading is also necessarily copying. We work and play with systems in which making a compatible widget—the generic razor blade of the digital era—requires decompiling copyrighted code. In each case, activities—reading, indexing, making compatible generic goods—that in an analog world did not implicate copyright
at all, are suddenly within its sway. One way to deal with that process is the kind of Procrustean trimming and stretching we saw in *Lotus* or *Computer Associates*. Feel free to add the descriptions “inappropriately interventionist and policy driven,” “responsibly focused on substance not form, with an eye to the constitutional goals of the system” or “working within the classic common law methods in a process of judicial evolution” to your account of what the judges did in those cases. We would go with the second two descriptions, but a reasonable case can be made for the first.

Yet sometimes redefining the subject matter criteria or the test for infringement is not enough. That is when fair use is called upon.

We do not mean to say that fair use is only important to deal with the technological transformations of copyright, though that will be one important theme of this chapter. Fair use also deals with the speech side of copyright—the places where “paraphrasing around” is not enough. It is the conjunction of these two themes from the class that causes us to concentrate so heavily on fair use—this is the place where these arguments are brought together, weighed and decided.

And so in this chapter we will read about whether you have a legal privilege (a right?) to videotape or DVR copyrighted TV shows for time-shifting purposes, and to decompile video games to make interoperable games. We will discuss the scanning of millions of books under copyright, without permission, in order to create the ‘digital index of Alexandria’ according to the defendants, or engage ‘in the greatest act of illicit copying the world has ever known,’ according to the plaintiffs. But we will also read about parodic rap versions of songs that the Supreme Court (wrongly) seems to think are about prostitution, and why Margaret Mitchell’s estate thought they had the power to tell an African-American novelist that it would be breaking the law to retell *Gone With the Wind* from the slaves’ perspective. We will even talk about reproducing sections of copyrighted books for educational purposes in coursepacks. We will meet again two of the “framings” we discussed in Chapter 1. As you might guess, one will be ‘incentives for investment in creativity’ versus ‘promotion of competition and avoidance of monopoly in technological development.’ But the other will be the classic ‘speech versus property’ divide. The readings and arguments from both Chapters 1 and 2 will be very relevant. It will turn out that cases developed within one of those frames can inform the other. Cases about Google image search draw on cases about rap parodies, and cases about appropriationist art draw on cases about technological transformation.

### Problem 13-1

Section 107 is short. We want you to bring out your best legislative parsing skills.

1.) Look at the clauses one by one. **What is the textual structure of § 107?** For example, is it open-ended or closed? Does the first clause determine the analysis of the subsequent clauses, or is it mere legislative throat clearing? What roles do the examples play? **The 4 factors? The examples and the factors in combination?**

2.) “The factors to be considered shall include. . . .” **Are they positive or negative? How can you tell? How is the judge to consider them?**

3.) Look at this clause—“whether such use is of a commercial nature or is for nonprofit educational purposes. . . .” **Parse it. Is there a difference between a use being commercial and a use “of a commercial nature”? Is *The New York Times*’
The first case we will read is a famous one: *Sony v. Universal*, which established the legality of home taping. *Sony* actually contains two very important contributions to copyright’s interaction with technology, and the fair use portion is probably the less important of the two. It is in the discussion of the requirements of “contributory infringement” that *Sony* has had its biggest impact. Some casebooks separate the two portions of the case; but we think they make more sense when read together.

**1.) Fair Use, Technology and Contributory Infringement**

*Sony Corp. of America v. Universal City Studios, Inc.*


Justice STEVENS delivered the opinion of the Court.

Petitioners manufacture and sell home video tape recorders. Respondents own the copyrights on some of the television programs that are broadcast on the public airwaves. Some members of the general public use video tape recorders sold by petitioners to record some of these broadcasts, as well as a large number of other broadcasts. The question presented is whether the sale of petitioners’ copying equipment to the general public violates any of the rights conferred upon respondents by the Copyright Act.

Respondents commenced this copyright infringement action against petitioners in the United States District Court for the Central District of California in 1976. Respondents alleged that some individuals had used Betamax video tape recorders (VTR’s) to record some of respondents’ copyrighted works which had been exhibited on commercially sponsored television and contended that these individuals had thereby infringed respondents’ copyrights. Respondents further maintained that petitioners were liable for the
copyright infringement allegedly committed by Betamax consumers because of petitioners’ marketing of the Betamax VTR’s. Respondents sought no relief against any Betamax consumer. Instead, they sought money damages and an equitable accounting of profits from petitioners, as well as an injunction against the manufacture and marketing of Betamax VTR’s.

After a lengthy trial, the District Court denied respondents all the relief they sought and entered judgment for petitioners. The United States Court of Appeals for the Ninth Circuit reversed the District Court’s judgment on respondent’s copyright claim, holding petitioners liable for contributory infringement and ordering the District Court to fashion appropriate relief. We granted certiorari; since we had not completed our study of the case last Term, we ordered reargument. We now reverse.

An explanation of our rejection of respondents’ unprecedented attempt to impose copyright liability upon the distributors of copying equipment requires a quite detailed recitation of the findings of the District Court. In summary, those findings reveal that the average member of the public uses a VTR principally to record a program he cannot view as it is being televised and then to watch it once at a later time. This practice, known as “time-shifting,” enlarges the television viewing audience. For that reason, a significant amount of television programming may be used in this manner without objection from the owners of the copyrights on the programs. For the same reason, even the two respondents in this case, who do assert objections to time-shifting in this litigation, were unable to prove that the practice has impaired the commercial value of their copyrights or has created any likelihood of future harm. Given these findings, there is no basis in the Copyright Act upon which respondents can hold petitioners liable for distributing VTR’s to the general public. The Court of Appeals’ holding that respondents are entitled to enjoin the distribution of VTR’s, to collect royalties on the sale of such equipment, or to obtain other relief, if affirmed, would enlarge the scope of respondents’ statutory monopolies to encompass control over an article of commerce that is not the subject of copyright protection. Such an expansion of the copyright privilege is beyond the limits of the grants authorized by Congress.

I

The two respondents in this action, Universal Studios, Inc. and Walt Disney Productions, produce and hold the copyrights on a substantial number of motion pictures and other audiovisual works. In the current marketplace, they can exploit their rights in these works in a number of ways: by authorizing theatrical exhibitions, by licensing limited showings on cable and network television, by selling syndication rights for repeated airings on local television stations, and by marketing programs on prerecorded videotapes or videodiscs. Some works are suitable for exploitation through all of these avenues, while the market for other works is more limited.

The respondents and Sony both conducted surveys of the way the Betamax machine was used by several hundred owners during a sample period in 1978. Although there were some differences in the surveys, they both showed that the primary use of the machine for most owners was “time-shifting”—the practice of recording a program to view it once at a later time, and thereafter erasing it. Time-shifting enables viewers to see programs they otherwise would miss because they are not at home, are occupied with other tasks, or are viewing a program on another station at the time of a broadcast that they desire to watch. Both surveys also showed, however, that a substantial number of interviewees had accumulated libraries of tapes. Sony’s survey indicated that over 80% of the interviewees watched at least as much regular television as they had before owning a Betamax.
Respondents offered no evidence of decreased television viewing by Betamax owners.

Sony introduced considerable evidence describing television programs that could be copied without objection from any copyright holder, with special emphasis on sports, religious, and educational programming. For example, their survey indicated that 7.3% of all Betamax use is to record sports events, and representatives of professional baseball, football, basketball, and hockey testified that they had no objection to the recording of their televised events for home use.

Respondents offered opinion evidence concerning the future impact of the unrestricted sale of VTR’s on the commercial value of their copyrights. The District Court found, however, that they had failed to prove any likelihood of future harm from the use of VTR’s for time-shifting.

The District Court concluded that noncommercial home use recording of material broadcast over the public airwaves was a fair use of copyrighted works and did not constitute copyright infringement.

The Court of Appeals reversed the District Court’s judgment on respondents’ copyright claim. It did not set aside any of the District Court’s findings of fact. Rather, it concluded as a matter of law that the home use of a VTR was not a fair use because it was not a “productive use.” It therefore held that it was unnecessary for plaintiffs to prove any harm to the potential market for the copyrighted works, but then observed that it seemed clear that the cumulative effect of mass reproduction made possible by VTR’s would tend to diminish the potential market for respondents’ works.

II

Article I, Sec. 8 of the Constitution provides that: “The Congress shall have Power . . . to Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”

The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It 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.

“The copyright law, like the patent statute, makes reward to the owner a secondary consideration. In *Fox Film Corp. v. Doyal*, Chief Justice Hughes spoke as follows respecting the copyright monopoly granted by Congress, ‘The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors.’ It is said that reward to the author or artist serves to induce release to the public of the products of his creative genius.” *United States v. Paramount Pictures* (1948).

As the text of the Constitution makes plain, it is Congress that has been assigned the task of defining the scope of the limited monopoly that should be granted to authors or to inventors in order to give the public appropriate access to their work product. Because this task involves a difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society’s competing interest in the free flow of ideas, information, and commerce on the other hand, our patent and copyright statutes have been amended repeatedly.

From its beginning, the law of copyright has developed in response to significant
changes in technology. Indeed, it was the invention of a new form of copying equipment—the printing press—that gave rise to the original need for copyright protection. Repeatedly, as new developments have occurred in this country, it has been the Congress that has fashioned the new rules that new technology made necessary. Thus, long before the enactment of the Copyright Act of 1909, it was settled that the protection given to copyrights is wholly statutory. The remedies for infringement “are only those prescribed by Congress.”

The judiciary’s reluctance to expand the protections afforded by the copyright without explicit legislative guidance is a recurring theme. Sound policy, as well as history, supports our consistent deference to Congress when major technological innovations alter the market for copyrighted materials. Congress has the constitutional authority and the institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by such new technology.

In a case like this, in which Congress has not plainly marked our course, we must be circumspect in construing the scope of rights created by a legislative enactment which never contemplated such a calculus of interests. In doing so, we are guided by Justice Stewart’s exposition of the correct approach to ambiguities in the law of copyright:

“The limited scope of the copyright holder’s statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts. 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. ‘The sole interest of the United States and the primary object in conferring the monopoly,’ this Court has said, ‘lie in the general benefits derived by the public from the labors of authors.’ Fox Film Corp. v. Doyal (1932). When technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of this basic purpose.” Twentieth Century Music Corp. v. Aiken (1975).

Copyright protection “subsists . . . in original works of authorship fixed in any tangible medium of expression.” This protection has never accorded the copyright owner complete control over all possible uses of his work. Rather, the Copyright Act grants

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11 Thus, for example, the development and marketing of player pianos and perforated roles of music, preceded the enactment of the Copyright Act of 1909; innovations in copying techniques gave rise to the statutory exemption for library copying embodied in § 108 of the 1976 revision of the Copyright law; the development of the technology that made it possible to retransmit television programs by cable or by microwave systems, prompted the enactment of the complex provisions set forth in 17 U.S.C. § 111(d)(2)(B) and § 111(d)(5) after years of detailed congressional study.

12 “Copyright protection became necessary with the invention of the printing press and had its early beginnings in the British censorship laws. The fortunes of the law of copyright have always been closely connected with freedom of expression, on the one hand, and with technological improvements in means of dissemination, on the other. Successive ages have drawn different balances among the interest of the writer in the control and exploitation of his intellectual property, the related interest of the publisher, and the competing interest of society in the untrammeled dissemination of ideas.” Foreword to B. Kaplan, An Unhurried View of Copyright vii–viii (1967).

13 . . . While the law has never recognized an author’s right to absolute control of his work, the natural tendency of legal rights to express themselves in absolute terms to the exclusion of all else is particularly pronounced in the history of the constitutionally sanctioned monopolies of the copyright and the patent.
the copyright holder “exclusive” rights to use and to authorize the use of his work in five qualified ways, including reproduction of the copyrighted work in copies. All reproductions of the work, however, are not within the exclusive domain of the copyright owner; some are in the public domain. Any individual may reproduce a copyrighted work for a “fair use;” the copyright owner does not possess the exclusive right to such a use.

The two respondents in this case do not seek relief against the Betamax users who have allegedly infringed their copyrights. Moreover, this is not a class action on behalf of all copyright owners who license their works for television broadcast, and respondents have no right to invoke whatever rights other copyright holders may have to bring infringement actions based on Betamax copying of their works. As was made clear by their own evidence, the copying of the respondents’ programs represents a small portion of the total use of VTR’s. It is, however, the taping of respondents’ own copyrighted programs that provides them with standing to charge Sony with contributory infringement. To prevail, they have the burden of proving that users of the Betamax have infringed their copyrights and that Sony should be held responsible for that infringement.

III

The Copyright Act does not expressly render anyone liable for infringement committed by another. In contrast, the Patent Act expressly brands anyone who “actively induces infringement of a patent” as an infringer, and further imposes liability on certain individuals labeled “contributory” infringers. The absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity. For vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.

Such circumstances were plainly present in Kalem Co. v. Harper Brothers (1911), the copyright decision of this Court on which respondents place their principal reliance. In Kalem, the Court held that the producer of an unauthorized film dramatization of the copyrighted book Ben Hur was liable for his sale of the motion picture to jobbers, who in turn arranged for the commercial exhibition of the film. Justice Holmes, writing for the Court, explained:

“The defendant not only expected but invoked by advertisement the use of its films for dramatic reproduction of the story. That was the most conspicuous purpose for which they could be used, and the one for which especially they were made. If the defendant did not contribute to the infringement it is impossible to do so except by taking part in the final act. It is liable on principles recognized in every part of the law.”

17 As the District Court correctly observed, however, “the lines between direct infringement, contributory infringement, and vicarious liability are not clearly drawn. . . .” The lack of clarity in this area may, in part, be attributable to the fact that an infringer is not merely one who uses a work without authorization by the copyright owner, but also one who authorizes the use of a copyrighted work without actual authority from the copyright owner.

We note the parties’ statements that the questions of petitioners’ liability under the “doctrines” of “direct infringement” and “vicarious liability” are not nominally before this Court. We also observe, however, that reasoned analysis of respondents’ unprecedented contributory infringement claim necessarily entails consideration of arguments and case law which may also be forwarded under the other labels, and indeed the parties to a large extent rely upon such arguments and authority in support of their respective positions on the issue of contributory infringement.
The use for which the item sold in *Kalem* had been “especially” made was, of course, to display the performance that had already been recorded upon it. The producer had personally appropriated the copyright owner’s protected work and, as the owner of the tangible medium of expression upon which the protected work was recorded, authorized that use by his sale of the film to jobbers. But that use of the film was not his to authorize: the copyright owner possessed the exclusive right to authorize public performances of his work. Further, the producer personally advertised the unauthorized public performances, dispelling any possible doubt as to the use of the film which he had authorized.

Respondents argue that *Kalem* stands for the proposition that supplying the “means” to accomplish an infringing activity and encouraging that activity through advertisement are sufficient to establish liability for copyright infringement. This argument rests on a gross generalization that cannot withstand scrutiny. The producer in *Kalem* did not merely provide the “means” to accomplish an infringing activity; the producer supplied the work itself, albeit in a new medium of expression. Petitioners in the instant case do not supply Betamax consumers with respondents’ works; respondents do. Petitioners supply a piece of equipment that is generally capable of copying the entire range of programs that may be televised: those that are uncopyrighted, those that are copyrighted but may be copied without objection from the copyright holder, and those that the copyright holder would prefer not to have copied. The Betamax can be used to make authorized or unauthorized uses of copyrighted works, but the range of its potential use is much broader than the particular infringing use of the film *Ben Hur* involved in *Kalem*. *Kalem* does not support respondents’ novel theory of liability.

Justice Holmes stated that the producer had “contributed” to the infringement of the copyright, and the label “contributory infringement” has been applied in a number of lower court copyright cases involving an ongoing relationship between the direct infringer and the contributory infringer at the time the infringing conduct occurred. In such cases, as in other situations in which the imposition of vicarious liability is manifestly just, the “contributory” infringer was in a position to control the use of copyrighted works by others and had authorized the use without permission from the copyright owner.\(^{18}\) This case, however, plainly does not fall in that category. The only contact between Sony and the users of the Betamax that is disclosed by this record occurred at the moment of sale. The District Court expressly found that “no employee of Sony, Sonam or DDBI had either direct involvement with the allegedly infringing activity or direct contact with purchasers of Betamax who recorded copyrighted works off-the-air.”And it further found that “there was no evidence that any of the copies made by Griffiths or the other individual witnesses in this suit were influenced or encouraged by [Sony’s] advertisements.”

If vicarious liability is to be imposed on petitioners in this case, it must rest on the fact that they have sold equipment with constructive knowledge of the fact that their customers may use that equipment to make unauthorized copies of copyrighted material. There is no precedent in the law of copyright for the imposition of vicarious liability on such a theory. The closest analogy is provided by the patent law cases to which it is

\(^{18}\) The so-called “dance hall cases,” *Famous Music Corp. v. Bay State Harness Horse Racing and Breeding Ass’n* (1st Cir. 1977) (racetrack retained infringer to supply music to paying customers); *KECA MUSIC, Inc. v. Dingus McGee’s Co.* (W.D.Mo. 1977) (cocktail lounge hired musicians to supply music to paying customers); *Dreamland Ball Room v. Shapiro, Bernstein & Co.* (7th Cir. 1929) (dance hall hired orchestra to supply music to paying customers) are often contrasted with the so-called landlord-tenant cases, in which landlords who leased premises to a direct infringer for a fixed rental and did not participate directly in any infringing activity were found not to be liable for contributory infringement. . . .
appropriate to refer because of the historic kinship between patent law and copyright law.\footnote{19}

In the Patent Code both the concept of infringement and the concept of contributory infringement are expressly defined by statute. The prohibition against contributory infringement is confined to the knowing sale of a component especially made for use in connection with a particular patent. There is no suggestion in the statute that one patentee may object to the sale of a product that might be used in connection with other patents. Moreover, the Act expressly provides that the sale of a “staple article or commodity of commerce suitable for substantial noninfringing use” is not contributory infringement. 35 U.S.C. § 271(c).

When a charge of contributory infringement is predicated entirely on the sale of an article of commerce that is used by the purchaser to infringe a patent, the public interest in access to that article of commerce is necessarily implicated. A finding of contributory infringement does not, of course, remove the article from the market altogether; it does, however, give the patentee effective control over the sale of that item. Indeed, a finding of contributory infringement is normally the functional equivalent of holding that the disputed article is within the monopoly granted to the patentee.\footnote{21}

For that reason, in contributory infringement cases arising under the patent laws the Court has always recognized the critical importance of not allowing the patentee to extend his monopoly beyond the limits of his specific grant. These cases deny the patentee any right to control the distribution of unpatented articles unless they are “unsuited for any commercial noninfringing use.”\footnote{DAWSON CHEMICAL CO. v. ROHM & HAAS CO. (1980). . . .} Dawson Chemical Co. v. Rohm & Hass Co. (1980).

We recognize there are substantial differences between the patent and copyright laws. But in both areas the contributory infringement doctrine is grounded on the recognition that adequate protection of a monopoly may require the courts to look beyond actual duplication of a device or publication to the products or activities that make such duplication possible. The staple article of commerce doctrine must strike a balance between a copyright holder’s legitimate demand for effective—not merely symbolic—protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce. Accordingly, the sale of copying equipment,

\footnote{19} The two areas of the law, naturally, are not identical twins, and we exercise the caution which we have expressed in the past in applying doctrine formulated in one area to the other.

We have consistently rejected the proposition that a similar kinship exists between copyright law and trademark law, and in the process of doing so have recognized the basic similarities between copyrights and patents. Given the fundamental differences between copyright law and trademark law, in this copyright case we do not look to the standard for contributory infringement set forth in Inwood Laboratories, Inc. v. Ives Laboratories, Inc. (1982), which was crafted for application in trademark cases. There we observed that a manufacturer or distributor could be held liable to the owner of a trademark if it intentionally induced a merchant down the chain of distribution to pass off its product as that of the trademark owner’s or if it continued to supply a product which could readily be passed off to a particular merchant whom it knew was mislabeling the product with the trademark owner’s mark. If Inwood’s narrow standard for contributory trademark infringement governed here, respondents’ claim of contributory infringement would merit little discussion. Sony certainly does not “intentionally induc[e]” its customers to make infringing uses of respondents’ copyrights, nor does it supply its products to identified individuals known by it to be engaging in continuing infringement of respondents’ copyrights.

\footnote{21} It seems extraordinary to suggest that the Copyright Act confers upon all copyright owners collectively, much less the two respondents in this case, the exclusive right to distribute VTR’s simply because they may be used to infringe copyrights. That, however, is the logical implication of their claim. The request for an injunction below indicates that respondents seek, in effect, to declare VTR’s contraband. Their suggestion in this Court that a continuing royalty pursuant to a judicially created compulsory license would be an acceptable remedy merely indicates that respondents, for their part, would be willing to license their claimed monopoly interest in VTR’s to petitioners in return for a royalty.
like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.

IV

The question is thus whether the Betamax is capable of commercially significant noninfringing uses. In order to resolve that question, we need not explore all the different potential uses of the machine and determine whether or not they would constitute infringement. Rather, we need only consider whether on the basis of the facts as found by the district court a significant number of them would be non-infringing. Moreover, in order to resolve this case we need not give precise content to the question of how much use is commercially significant. For one potential use of the Betamax plainly satisfies this standard, however it is understood: private, noncommercial time-shifting in the home. It does so both (A) because respondents have no right to prevent other copyright holders from authorizing it for their programs, and (B) because the District Court’s factual findings reveal that even the unauthorized home time-shifting of respondents’ programs is legitimate fair use.

A. Authorized Time Shifting

Each of the respondents owns a large inventory of valuable copyrights, but in the total spectrum of television programming their combined market share is small. The exact percentage is not specified, but it is well below 10%. If they were to prevail, the outcome of this litigation would have a significant impact on both the producers and the viewers of the remaining 90% of the programming in the Nation. No doubt, many other producers share respondents’ concern about the possible consequences of unrestricted copying. Nevertheless the findings of the District Court make it clear that time-shifting may enlarge the total viewing audience and that many producers are willing to allow private time-shifting to continue, at least for an experimental time period.

The District Court found:

“Even if it were deemed that home-use recording of copyrighted material constituted infringement, the Betamax could still legally be used to record noncopyrighted material or material whose owners consented to the copying. An injunction would deprive the public of the ability to use the Betamax for this noninfringing off-the-air recording.

“Defendants introduced considerable testimony at trial about the potential for such copying of sports, religious, educational and other programming. This included testimony from representatives of the Offices of the Commissioners of the National Football, Basketball, Baseball and Hockey Leagues and Associations, the Executive Director of National Religious Broadcasters and various educational communications agencies. Plaintiffs attack the weight of the testimony offered and also contend that an injunction is warranted because infringing uses outweigh noninfringing uses.”

“Whatever the future percentage of legal versus illegal home-use recording might be, an injunction which seeks to deprive the public of the very tool or article of commerce capable of some noninfringing use would be an extremely harsh remedy, as well as one unprecedented in copyright law.”
Although the District Court made these statements in the context of considering the propriety of injunctive relief, the statements constitute a finding that the evidence concerning “sports, religious, educational, and other programming” was sufficient to establish a significant quantity of broadcasting whose copying is now authorized, and a significant potential for future authorized copying. That finding is amply supported by the record. In addition to the religious and sports officials identified explicitly by the District Court, two items in the record deserve specific mention.

First is the testimony of John Kenaston, the station manager of Channel 58, an educational station in Los Angeles affiliated with the Public Broadcasting Service. He explained and authenticated the station’s published guide to its programs. For each program, the guide tells whether unlimited home taping is authorized, home taping is authorized subject to certain restrictions (such as erasure within seven days), or home taping is not authorized at all. The Spring 1978 edition of the guide described 107 programs. Sixty-two of those programs or 58% authorize some home taping. Twenty-one of them or almost 20% authorize unrestricted home taping.

Second is the testimony of Fred Rogers, president of the corporation that produces and owns the copyright on *Mr. Rogers’ Neighborhood*. The program is carried by more public television stations than any other program. Its audience numbers over 3,000,000 families a day. He testified that he had absolutely no objection to home taping for noncommercial use and expressed the opinion that it is a real service to families to be able to record children’s programs and to show them at appropriate times.27

If there are millions of owners of VTR’s who make copies of televised sports events, religious broadcasts, and educational programs such as *Mister Rogers’ Neighborhood*, and if the proprietors of those programs welcome the practice, the business of supplying the equipment that makes such copying feasible should not be stifled simply because the equipment is used by some individuals to make unauthorized reproductions of respondents’ works. The respondents do not represent a class composed of all copyright holders. Yet a finding of contributory infringement would inevitably frustrate the interests of broadcasters in reaching the portion of their audience that is available only through time-shifting.

Of course, the fact that other copyright holders may welcome the practice of time-shifting does not mean that respondents should be deemed to have granted a license to copy their programs. Third party conduct would be wholly irrelevant in an action for direct infringement of respondents’ copyrights. But in an action for contributory infringement against the seller of copying equipment, the copyright holder may not prevail unless the relief that he seeks affects only his programs, or unless he speaks for virtually all copyright holders with an interest in the outcome. In this case, the record makes it perfectly clear that there are many important producers of national and local television programs who find nothing objectionable about the enlargement in the size of the television audience that results from the practice of time-shifting for private home

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27 “Some public stations, as well as commercial stations, program the ‘Neighborhood’ at hours when some children cannot use it. I think that it’s a real service to families to be able to record such programs and show them at appropriate times. I have always felt that with the advent of all of this new technology that allows people to tape the ‘Neighborhood’ off-the-air, and I’m speaking for the ‘Neighborhood’ because that’s what I produce, that they then become much more active in the programming of their family’s television life. Very frankly, I am opposed to people being programmed by others. My whole approach in broadcasting has always been ‘You are an important person just the way you are. You can make healthy decisions.’ Maybe I’m going on too long, but I just feel that anything that allows a person to be more active in the control of his or her life, in a healthy way, is important.”
use.\textsuperscript{28} The seller of the equipment that expands those producers’ audiences cannot be a contributory infringer if, as is true in this case, it has had no direct involvement with any infringing activity.

**B. Unauthorized Time-Shifting**

Even unauthorized uses of a copyrighted work are not necessarily infringing. An unlicensed use of the copyright is not an infringement unless it conflicts with one of the specific exclusive rights conferred by the copyright statute. Moreover, the definition of exclusive rights in § 106 of the present Act is prefaced by the words “subject to sections 107 through 118.” Those sections describe a variety of uses of copyrighted material that “are not infringements of copyright notwithstanding the provisions of § 106.” The most pertinent in this case is § 107, the legislative endorsement of the doctrine of “fair use.”

That section identifies various factors that enable a Court to apply an “equitable rule of reason” analysis to particular claims of infringement. Although not conclusive, the first factor requires that “the commercial or nonprofit character of an activity” be weighed in any fair use decision. If the Betamax were used to make copies for a commercial or profit-making purpose, such use would presumptively be unfair. The contrary presumption is appropriate here, however, because the District Court’s findings plainly establish that time-shifting for private home use must be characterized as a noncommercial, nonprofit activity. Moreover, when one considers the nature of a televised copyrighted audiovisual work, see 17 U.S.C. § 107(2), and that timeshifting merely enables a viewer to see such a work which he had been invited to witness in its entirety free of charge, the fact that the entire work is reproduced, § 107(3), does not have its ordinary effect of militating against a finding of fair use.\textsuperscript{33}

\textsuperscript{28} . . . In the context of television programming, some producers evidently believe that permitting home viewers to make copies of their works off the air actually enhances the value of their copyrights. Irrespective of their reasons for authorizing the practice, they do so, and in significant enough numbers to create a substantial market for a non-infringing use of the Sony VTR’s. No one could dispute the legitimacy of that market if the producers had authorized home taping of their programs in exchange for a license fee paid directly by the home user. The legitimacy of that market is not compromised simply because these producers have authorized home taping of their programs without demanding a fee from the home user. The copyright law does not require a copyright owner to charge a fee for the use of his works, and as this record clearly demonstrates, the owner of a copyright may well have economic or noneconomic reasons for permitting certain kinds of copying to occur without receiving direct compensation from the copier. It is not the role of the courts to tell copyright holders the best way for them to exploit their copyrights: even if respondents’ competitors were ill-advised in authorizing home videotaping, that would not change the fact that they have created a substantial market for a paradigmatic non-infringing use of petitioners’ product.

\textsuperscript{33} It has been suggested that “consumptive uses of copyrights by home VTR users are commercial even if the consumer does not sell the homemade tape because the consumer will not buy tapes separately sold by the copyright holder.” Home Recording of Copyrighted Works: Hearing before Subcommittee on Courts, Civil Liberties and the Administration of Justice of the House Committee on the Judiciary, 97th Congress, 2d Session, pt. 2, p. 1250 (1982) (memorandum of Prof. Laurence H. Tribe). Furthermore, “[t]he error in excusing such theft as noncommercial,” we are told, “can be seen by simple analogy: jewel theft is not converted into a noncommercial veniality if stolen jewels are simply worn rather than sold.” The premise and the analogy are indeed simple, but they add nothing to the argument. The use to which stolen jewelry is put is quite irrelevant in determining whether depriving its true owner of his present possessory interest in it is venial; because of the nature of the item and the true owner’s interests in physical possession of it, the law finds the taking objectionable even if the thief does not use the item at all. Theft of a particular item of personal property of course may have commercial significance, for the thief deprives the owner of his right to sell that particular item to any individual. Timeshifting does not even remotely entail comparable consequences to the copyright owner. Moreover, the timeshifter no more steals the program by watching it once than does the live viewer, and the live viewer is no more likely to buy pre-recorded videotapes than is the
This is not, however, the end of the inquiry because Congress has also directed us to consider “the effect of the use upon the potential market for or value of the copyrighted work.” § 107(4). The purpose of copyright is to create incentives for creative effort. Even copying for noncommercial purposes may impair the copyright holder’s ability to obtain the rewards that Congress intended him to have. But a use that has no demonstrable effect upon the potential market for, or the value of, the copyrighted work need not be prohibited in order to protect the author’s incentive to create. The prohibition of such noncommercial uses would merely inhibit access to ideas without any countervailing benefit.

Thus, although every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright, noncommercial uses are a different matter. A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work. Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that some meaningful likelihood of future harm exists. If the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated.

In this case, respondents failed to carry their burden with regard to home time-shifting. . . .

The District Court’s conclusions are buttressed by the fact that to the extent time-shifting expands public access to freely broadcast television programs, it yields societal benefits. Earlier this year, in Community Television of Southern California v. Gottfried, we acknowledged the public interest in making television broadcasting more available. Concededly, that interest is not unlimited. But it supports an interpretation of the concept of “fair use” that requires the copyright holder to demonstrate some likelihood of harm before he may condemn a private act of time-shifting as a violation of federal law.

When these factors are all weighed in the “equitable rule of reason” balance, we must conclude that this record amply supports the District Court’s conclusion that home time-shifting is fair use. In light of the findings of the District Court regarding the state of the empirical data, it is clear that the Court of Appeals erred in holding that the statute as presently written bars such conduct.40

timeshifter. Indeed, no live viewer would buy a pre-recorded videotape if he did not have access to a VTR. 40 The Court of Appeals chose not to engage in any “equitable rule of reason” analysis in this case. Instead, it assumed that the category of “fair use” is rigidly circumscribed by a requirement that every such use must be “productive.” It therefore concluded that copying a television program merely to enable the viewer to receive information or entertainment that he would otherwise miss because of a personal scheduling conflict could never be fair use. That understanding of “fair use” was erroneous.

Congress has plainly instructed us that fair use analysis calls for a sensitive balancing of interests. The distinction between “productive” and “unproductive” uses may be helpful in calibrating the balance, but it cannot be wholly determinative. Although copying to promote a scholarly endeavor certainly has a stronger claim to fair use than copying to avoid interrupting a poker game, the question is not simply two-dimensional. For one thing, it is not true that all copyrights are fungible. Some copyrights govern material with broad potential secondary markets. Such material may well have a broader claim to protection because of the greater potential for commercial harm. Copying a news broadcast may have a stronger claim to fair use than copying a motion picture. And, of course, not all uses are fungible. Copying for commercial gain has a much weaker claim to fair use than copying for personal enrichment. But the notion of social “productivity” cannot be a complete answer to this analysis. A teacher who copies to prepare lecture notes is clearly productive. But so is a teacher who copies for the sake of broadening his personal understanding of his specialty. Or a
In summary, the record and findings of the District Court lead us to two conclusions. First, Sony demonstrated a significant likelihood that substantial numbers of copyright holders who license their works for broadcast on free television would not object to having their broadcasts time-shifted by private viewers. And second, respondents failed to demonstrate that time-shifting would cause any likelihood of nonminimal harm to the potential market for, or the value of, their copyrighted works. The Betamax is, therefore, capable of substantial noninfringing uses. Sony’s sale of such equipment to the general public does not constitute contributory infringement of respondent’s copyrights.

V

“The direction of Art. I is that Congress shall have the power to promote the progress of science and the useful arts. When, as here, the Constitution is permissive, the sign of how far Congress has chosen to go can come only from Congress.” *Deepsouth Packing Co. v. Laitram Corp.* (1972).

One may search the Copyright Act in vain for any sign that the elected representatives of the millions of people who watch television every day have made it unlawful to copy a program for later viewing at home, or have enacted a flat prohibition against the sale of machines that make such copying possible.

It may well be that Congress will take a fresh look at this new technology, just as it so often has examined other innovations in the past. But it is not our job to apply laws that have not yet been written. Applying the copyright statute, as it now reads, to the facts as they have been developed in this case, the judgment of the Court of Appeals must be reversed. *It is so ordered.*

Justice BLACKMUN, with whom Justice MARSHALL, Justice POWELL, and Justice REHNQUIST join, dissenting.

...  

IV

A

... The purpose of copyright protection, in the words of the Constitution, is to “promote the Progress of Science and useful Arts.” Copyright is based on the belief that by granting authors the exclusive rights to reproduce their works, they are given an incentive to create, and that “encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in ‘Science and the useful Arts.’” *Mazer v. Stein* (1954). The monopoly created by copyright thus rewards the individual author in order to benefit the public.

legislator who copies for the sake of broadening her understanding of what her constituents are watching; or a constituent who copies a news program to help make a decision on how to vote.

Making a copy of a copyrighted work for the convenience of a blind person is expressly identified by the House Committee Report as an example of fair use, with no suggestion that anything more than a purpose to entertain or to inform need motivate the copying. In a hospital setting, using a VTR to enable a patient to see programs he would otherwise miss has no productive purpose other than contributing to the psychological well-being of the patient. Virtually any time-shifting that increases viewer access to television programming may result in a comparable benefit. The statutory language does not identify any dichotomy between productive and nonproductive time-shifting, but does require consideration of the economic consequences of copying.
There are situations, nevertheless, in which strict enforcement of this monopoly would inhibit the very “Progress of Science and useful Arts” that copyright is intended to promote. An obvious example is the researcher or scholar whose own work depends on the ability to refer to and to quote the work of prior scholars. Obviously, no author could create a new work if he were first required to repeat the research of every author who had gone before him. The scholar, like the ordinary user, of course could be left to bargain with each copyright owner for permission to quote from or refer to prior works. But there is a crucial difference between the scholar and the ordinary user. When the ordinary user decides that the owner’s price is too high, and forgoes use of the work, only the individual is the loser. When the scholar forgoes the use of a prior work, not only does his own work suffer, but the public is deprived of his contribution to knowledge. The scholar’s work, in other words, produces external benefits from which everyone profits. In such a case, the fair use doctrine acts as a form of subsidy—albeit at the first author’s expense—to permit the second author to make limited use of the first author’s work for the public good.

A similar subsidy may be appropriate in a range of areas other than pure scholarship. The situations in which fair use is most commonly recognized are listed in § 107 itself; fair use may be found when a work is used “for purposes such as criticism, comment, news reporting, teaching, . . . scholarship, or research.” The House and Senate Reports expand on this list somewhat, and other examples may be found in the case law. Each of these uses, however, reflects a common theme: each is a productive use, resulting in some added benefit to the public beyond that produced by the first author’s work. The fair use doctrine, in other words, permits works to be used for “socially laudable purposes.” See Copyright Office, Briefing Papers on Current Issues, reprinted in 1975 House Hearings 2051, 2055. I am aware of no case in which the reproduction of a copyrighted work for the sole benefit of the user has been held to be fair use.

I do not suggest, of course, that every productive use is a fair use. A finding of fair use still must depend on the facts of the individual case, and on whether, under the circumstances, it is reasonable to expect the user to bargain with the copyright owner for use of the work. The fair use doctrine must strike a balance between the dual risks created by the copyright system: on the one hand, that depriving authors of their monopoly will reduce their incentive to create, and, on the other, that granting authors a complete monopoly will reduce the creative ability of others. The inquiry is necessarily a flexible one, and the endless variety of situations that may arise precludes the formulation of exact rules. But when a user reproduces an entire work and uses it for its original purpose, with no added benefit to the public, the doctrine of fair use usually does not apply. There is then no need whatsoever to provide the ordinary user with a fair use subsidy at the author’s expense.

The making of a videotape recording for home viewing is an ordinary rather than a productive use of the Studios’ copyrighted works. The District Court found that “Betamax owners use the copy for the same purpose as the original. They add nothing of their own.” Although applying the fair use doctrine to home VTR recording, as Sony argues, may increase public access to material broadcast free over the public airwaves, I think Sony’s argument misconceives the nature of copyright. Copyright gives the author a right to limit or even to cut off access to his work. A VTR recording creates no public benefit sufficient to justify limiting this right. Nor is this right extinguished by the copyright owner’s choice to make the work available over the airwaves. Section 106 of the 1976 Act grants the copyright owner the exclusive right to control the performance and the reproduction of his work, and the fact that he has licensed a single television performance is really irrelevant to the existence of his right to control its reproduction. Although a television
broadcast may be free to the viewer, this fact is equally irrelevant; a book borrowed from
the public library may not be copied any more freely than a book that is purchased.

It may be tempting, as, in my view, the Court today is tempted, to stretch the
doctrine of fair use so as to permit unfettered use of this new technology in order to
increase access to television programming. But such an extension risks eroding the very
basis of copyright law, by depriving authors of control over their works and consequently
of their incentive to create. Even in the context of highly productive educational uses,
Congress has avoided this temptation; in passing the 1976 Act, Congress made it clear
that off-the-air videotaping was to be permitted only in very limited situations. And, the
Senate Report adds, “[t]he committee does not intend to suggest . . . that off-the-air
recording for convenience would under any circumstances, be considered ‘fair use.’” I
cannot disregard these admonitions. . . .

Questions:

1.) *Sony* is the first and perhaps the most important modern decision on secondary
copyright liability. What requirements does it lay down for the imposition of such
liability on a manufacturer of a device? Under that rule, was the fair use part of the
holding necessary? Even if the court had held that home taping was *not* fair use, would
*Sony* have been found liable?

2.) Why do you think that internet copyright debates have focused extensively on
contributory or secondary types of infringement, rather than on the illicit copying by the
direct infringer?

3.) Justice Blackmun thinks that the Court is stretching fair use to “increase access to
television programming.” Do you think that is the majority’s main goal? What are they
concerned about?

4.) The dissenting Justices stress a particular vision of fair use—one built around
“productive use.” In this vision, the second comer uses the original copyrighted
expression to create something new—a critical book review, for example, or a scholarly
discussion. Precisely because of the productive nature of the second use, we know that
the constitutional purpose of “promoting the progress” is being furthered. Authors are
standing on the shoulders of other authors—not merely passively receiving their works,
but actively building something out of them. Viewed through this lens, the activity of a
bunch of couch potatoes eating Doritos while watching reruns of *The Dukes of Hazzard*
does not seem particularly compelling as a fair use. Through the eyes of the majority,
though, the activity that is going on here looks very different. There is productivity and
innovation involved, activities that should not be stifled by the copyright holder. Who is
doing the innovating? Is the innovation involved in “the fair use” analyzed under § 107
or is it that copyright’s reach needs to be trimmed lest it pull in and exert control over
other activities? Do you agree with the majority or dissent?

5.) What rules does *Sony* lay down about the burden of proof on the market harm portion
of the fair use analysis?
There is a fairly solid tradition in intellectual property policy of what I call “20/20 downside” vision. All of the threats posed by any new technology—the player piano, the jukebox, the photocopier, the VCR, the Internet—are seen with extraordinary clarity. The opportunities, however, particularly those which involve changing a business model or restructuring a market, are dismissed as phantoms. The downside dominates the field, the upside is invisible. The story of video recorders is the best-known example. When video recorders—another technology promising cheaper copying—first appeared, the reaction of movie studios was one of horror. Their business plans relied upon showing movies in theaters and then licensing them to television stations. VCRs and Betamaxes fit nowhere in this plan; they were seen merely as copyright violation devices. Hollywood tried to have them taxed to pay for the losses that would be caused. Their assumption? Cheaper copying demands stronger rights.

Having lost that battle, the movie studios tried to have the manufacturers of the recording devices found liable for contributory copyright infringement; liable, in other words, for assisting the copyright violations that could be carried out by the owners of Sony Betamaxes. This, of course, was exactly the same legal claim that would be made in the Napster case. In the *Sony* case, however, the movie companies lost. The Supreme Court said that recording of TV programs to “time-shift” them to a more convenient hour was a fair use. The movie studios’ claims were rejected.

Freed from the threat of liability, the price of video recorders continued to fall. They flooded consumers’ houses at a speed unparalleled until the arrival of the World Wide Web. All these boxes sitting by TVs now cried out for content, content that was provided by an emerging video rental market. Until the triumph of DVDs, the videocassette rental market made up more than 50 percent of the movie industry’s revenues. Were losses caused by video recorders? To be sure. Some people who might have gone to see a movie in a theater because the TV schedule was inconvenient could instead record the show and watch it later. Videos could even be shared with friends and families—tattered copies of Disney movies recorded from some cable show could be passed on to siblings whose kids have reached the appropriate age. VCRs were also used for copying that was clearly illicit—large-scale duplication and sale of movies by someone other than the rights holder. A cheaper copying technology definitely caused losses. But it also provided substantial gains, gains that far outweighed the losses. Ironically, had the movie companies “won” in the *Sony* case, they might now be worse off.

The *Sony* story provides us with some useful lessons—first, this 20/20 downside vision is a poor guide to copyright policy. Under its sway, some companies will invariably equate greater control with profit and cheaper copying with loss. They will conclude, sometimes rightly, that their very existence is threatened, and, sometimes wrongly, that the threat is to innovation and culture itself rather than to their particular way of delivering it. They will turn to the legislature and the courts for guarantees that they can go on doing business in the old familiar ways. Normally, the marketplace is supposed to provide correctives to this kind of myopia. Upstart companies, not bound by the habits of the last generation, are supposed to move nimbly to harvest the benefits from the new technology and to out-compete the lumbering dinosaurs. In certain situations, though, competition will not work:

- if the dinosaurs are a cartel strong enough to squelch competition;
• if they have enlisted the state to make the threatening technology illegal, describing it as a predatory encroachment on the “rights” of the old guard rather than aggressive competition;
• if ingrained prejudices are simply so strong that the potential business benefits take years to become apparent; or
• if the market has “locked in” on a dominant standard—a technology or an operating system, say—to which new market entrants do not have legal access.

In those situations, markets cannot be counted on to self-correct. Unfortunately, and this is a key point, intellectual property policy frequently deals with controversies in which all of these conditions hold true.

2.) Unpublished works, “Scoops” and Political Speech

*Harper & Row v. Nation Enterprises*

471 U.S. 539 (1985)

Justice O’CONNOR delivered the opinion of the Court.

In March 1979, an undisclosed source provided The Nation Magazine with the unpublished manuscript of “A Time to Heal: The Autobiography of Gerald R. Ford.” Working directly from the purloined manuscript, an editor of The Nation produced a short piece entitled “The Ford Memoirs—Behind the Nixon Pardon.” The piece was timed to “scoop” an article scheduled shortly to appear in Time Magazine. Time had agreed to purchase the exclusive right to print prepublication excerpts from the copyright holders, Harper & Row Publishers, Inc. (hereinafter Harper & Row), and Reader’s Digest Association, Inc. (hereinafter Reader’s Digest). As a result of The Nation article, Time canceled its agreement. Petitioners brought a successful copyright action against The Nation. On appeal, the Second Circuit reversed the lower court’s finding of infringement, holding that The Nation’s act was sanctioned as a “fair use” of the copyrighted material. We granted certiorari, 467 U. S. 1214 (1984), and we now reverse.

I

In February 1977, shortly after leaving the White House, former President Gerald R. Ford contracted with petitioners Harper & Row and Reader’s Digest, to publish his as yet unwritten memoirs. The memoirs were to contain “significant hitherto unpublished material” concerning the Watergate crisis, Mr. Ford’s pardon of former President Nixon and “Mr. Ford’s reflections on this period of history, and the morality and personalities involved.” In addition to the right to publish the Ford memoirs in book form, the agreement gave petitioners the exclusive right to license prepublication excerpts, known in the trade as “first serial rights.” Two years later, as the memoirs were nearing completion, petitioners negotiated a prepublication licensing agreement with Time, a weekly news magazine. Time agreed to pay $25,000, $12,500 in advance and an additional $12,500 at publication, in exchange for the right to excerpt 7,500 words from Mr. Ford’s account of the Nixon pardon. The issue featuring the excerpts was timed to appear approximately one week before shipment of the full length book version to bookstores. Exclusivity was an important consideration; Harper & Row instituted procedures designed to maintain the confidentiality of the manuscript, and Time retained the right to renegotiate the second payment should the material appear in print prior to its release of the excerpts.
THE FORD MEMOIRS

BEHIND THE NIXON PARDON

In his memoirs, *A Time to Heal*, which Harper & Row will publish in late May or early June, former President Gerald R. Ford says that the idea of giving a blanket pardon to Richard M. Nixon was raised before Nixon resigned from the Presidency by Gen. Alexander Haig, who was then the White House chief of staff.

Ford also writes that, but for a misunderstanding, he might have selected Ronald Reagan as his 1976 running mate, that Washington lawyer Edward Bennett Williams, a Democrat, was his choice for head of the Central Intelligence Agency, that Nixon was the one who first proposed Nelson Rockefeller for Vice President, and that he regretted his “cowardice” in allowing Rockefeller to remove himself from Vice Presidential contention. Ford also describes his often prickly relations with Henry Kissinger.

*The Nation* obtained the 655-page typescript before publication. Advance excerpts from the book will appear in *Time* in mid-April and in *The Reader’s Digest* thereafter. Although the initial print order has not been decided, the figure is tentatively set at 50,000; it could change, depending upon the public reaction to the serialization.

Ford’s account of the Nixon pardon contains significant new detail on the negotiations and considerations that surrounded it. According to Ford’s version, the subject was first broached to him by General Haig on August 1, 1974, a week before Nixon resigned. General Haig revealed that the newly transcribed White House tapes were the equivalent of the “smoking gun” and that Ford should prepare himself to become President.

Ford was deeply hurt by Haig’s revelations.

(Continued on Page 363)

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Two to three weeks before the Time article’s scheduled release, an unidentified person secretly brought a copy of the Ford manuscript to Victor Navasky, editor of The Nation, a political commentary magazine. Mr. Navasky knew that his possession of the manuscript was not authorized and that the manuscript must be returned quickly to his “source” to avoid discovery. He hastily put together what he believed was “a real hot news story” composed of quotes, paraphrases, and facts drawn exclusively from the manuscript. Mr. Navasky attempted no independent commentary, research or criticism, in part because of the need for speed if he was to “make news” by “publish[ing] in advance of publication of the Ford book.” The 2,250-word article, reprinted in the Appendix to this opinion, appeared on April 3, 1979. As a result of The Nation’s article, Time canceled its piece and refused to pay the remaining $12,500.

. . . The District Court rejected respondents’ argument that The Nation’s piece was a “fair use” sanctioned by § 107 of the Act. . . . The court awarded actual damages of $12,500.

A divided panel of the Court of Appeals for the Second Circuit reversed. . . . The Court of Appeals was especially influenced by the “politically significant” nature of the subject matter and its conviction that it is not “the purpose of the Copyright Act to impede that harvest of knowledge so necessary to a democratic state” or “chill the activities of the press by forbidding a circumscribed use of copyrighted words.”

II

. . . The Nation has admitted to lifting verbatim quotes of the author’s original language totaling between 300 and 400 words and constituting some 13% of The Nation article. In using generous verbatim excerpts of Mr. Ford’s unpublished manuscript to lend authenticity to its account of the forthcoming memoirs, The Nation effectively arrogated to itself the right of first publication, an important marketable subsidiary right. For the reasons set forth below, we find that this use of the copyrighted manuscript, even stripped to the verbatim quotes conceded by The Nation to be copyrightable expression, was not a fair use within the meaning of the Copyright Act.

III

A

Perhaps because the fair use doctrine was predicated on the author’s implied consent to “reasonable and customary” use when he released his work for public consumption, fair use traditionally was not recognized as a defense to charges of copying from an author’s as yet unpublished works. Under common-law copyright, “the property of the author . . . in his intellectual creation [was] absolute until he voluntarily part[ed] with the same.” American Tobacco Co. v. Werckmeister (1907). This absolute rule, however, was tempered in practice by the equitable nature of the fair use doctrine. In a given case, factors such as implied consent through de facto publication on performance or dissemination of a work may tip the balance of equities in favor of prepublication use. But it has never been seriously disputed that “the fact that the plaintiff’s work is unpublished . . . is a factor tending to negate the defense of fair use.” Publication of an author’s expression before he has authorized its dissemination seriously infringes the author’s right to decide when and whether it will be made public, a factor not present in fair use of published works. Respondents contend, however, that Congress, in including first publication among the rights enumerated in § 106, which are expressly subject to fair use under § 107, intended that fair use would apply in pari materia to published and unpublished works. The Copyright Act does not support this proposition. . . .
Though the right of first publication, like the other rights enumerated in § 106, is expressly made subject to the fair use provision of § 107, fair use analysis must always be tailored to the individual case. The nature of the interest at stake is highly relevant to whether a given use is fair. From the beginning, those entrusted with the task of revision recognized the “overbalancing reasons to preserve the common law protection of undisseminated works until the author or his successor chooses to disclose them.” Copyright Law Revision, Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law, 87th Cong., 1st Sess., 41 (Comm. Print 1961). The right of first publication implicates a threshold decision by the author whether and in what form to release his work. First publication is inherently different from other § 106 rights in that only one person can be the first publisher; as the contract with Time illustrates, the commercial value of the right lies primarily in exclusivity. Because the potential damage to the author from judicially enforced “sharing” of the first publication right with unauthorized users of his manuscript is substantial, the balance of equities in evaluating such a claim of fair use inevitably shifts.

... We conclude that the unpublished nature of a work is “[a] key, though not necessarily determinative, factor” tending to negate a defense of fair use.

We also find unpersuasive respondents’ argument that fair use may be made of a soon-to-be-published manuscript on the ground that the author has demonstrated he has no interest in nonpublication. This argument assumes that the unpublished nature of copyrighted material is only relevant to letters or other confidential writings not intended for dissemination. It is true that common-law copyright was often enlisted in the service of personal privacy. In its commercial guise, however, an author’s right to choose when he will publish is no less deserving of protection. The period encompassing the work’s initiation, its preparation, and its grooming for public dissemination is a crucial one for any literary endeavor... The obvious benefit to author and public alike of assuring authors the leisure to develop their ideas free from fear of expropriation outweighs any short-term “news value” to be gained from premature publication of the author’s expression. The author’s control of first public distribution implicates not only his personal interest in creative control but his property interest in exploitation of prepublication rights, which are valuable in themselves and serve as a valuable adjunct to publicity and marketing. Under ordinary circumstances, the author’s right to control the first public appearance of his undisseminated expression will outweigh a claim of fair use.

B

Respondents, however, contend that First Amendment values require a different rule under the circumstances of this case. The thrust of the decision below is that “[t]he scope of [fair use] is undoubtedly wider when the information conveyed relates to matters of high public concern.” Respondents advance the substantial public import of the subject matter of the Ford memoirs as grounds for excusing a use that would ordinarily not pass muster as a fair use—the piracy of verbatim quotations for the purpose of “scooping” the authorized first serialization. Respondents explain their copying of Mr. Ford’s expression as essential to reporting the news story it claims the book itself represents. In respondents’ view, not only the facts contained in Mr. Ford’s memoirs, but “the precise manner in which [he] expressed himself [were] as newsworthy as what he had to say.” Respondents argue that the public’s interest in learning this news as fast as possible outweighs the right of the author to control its first publication.

The Second Circuit noted, correctly, that copyright’s idea/expression dichotomy “strike[s] a definitional balance between the First Amendment and the Copyright Act by
permitting free communication of facts while still protecting an author’s expression.” No author may copyright his ideas or the facts he narrates. 17 U. S. C. § 102(b). As this Court long ago observed: “[T]he news element—the information respecting current events contained in the literary production—is not the creation of the writer, but is a report of matters that ordinarily are publici juris; it is the history of the day.” *International News Service v. Associated Press* (1918). But copyright assures those who write and publish factual narratives such as “A Time to Heal” that they may at least enjoy the right to market the original expression contained therein as just compensation for their investment.

Respondents’ theory, however, would expand fair use to effectively destroy any expectation of copyright protection in the work of a public figure. Absent such protection, there would be little incentive to create or profit in financing such memoirs, and the public would be denied an important source of significant historical information.

Nor do respondents assert any actual necessity for circumventing the copyright scheme with respect to the types of works and users at issue here. Where an author and publisher have invested extensive resources in creating an original work and are poised to release it to the public, no legitimate aim is served by pre-empting the right of first publication. The fact that the words the author has chosen to clothe his narrative may of themselves be “newsworthy” is not an independent justification for unauthorized copying of the author’s expression prior to publication.

In our haste to disseminate news, it should not be forgotten that the Framers intended copyright itself to be the engine of free expression. By establishing a marketable right to the use of one’s expression, copyright supplies the economic incentive to create and disseminate ideas.

It is fundamentally at odds with the scheme of copyright to accord lesser rights in those works that are of greatest importance to the public. Such a notion ignores the major premise of copyright and injures author and public alike. “[T]o propose that fair use be imposed whenever the ‘social value [of dissemination] . . . outweighs any detriment to the artist,’ would be to propose depriving copyright owners of their right in the property precisely when they encounter those users who could afford to pay for it.”

Moreover, freedom of thought and expression “includes both the right to speak freely and the right to refrain from speaking at all.” *Wooley v. Maynard* (1977). Courts and commentators have recognized that copyright, and the right of first publication in particular, serve this countervailing First Amendment value.

In view of the First Amendment protections already embodied in the Copyright Act’s distinction between copyrightable expression and uncopyrightable facts and ideas, and the latitude for scholarship and comment traditionally afforded by fair use, we see no warrant for expanding the doctrine of fair use to create what amounts to a public figure exception to copyright.

### IV

**Purpose of the Use.** The Second Circuit correctly identified news reporting as the general purpose of The Nation’s use. News reporting is one of the examples enumerated in § 107 to “give some idea of the sort of activities the courts might regard as fair use under the circumstances.” Senate Report. This listing was not intended to be exhaustive, or to single out any particular use as presumptively a “fair” use. The drafters resisted pressures from special interest groups to create presumptive categories of fair use, but structured the provision as an affirmative defense requiring a case-by-case analysis. The fact that an article arguably is “news” and therefore a productive use is simply one factor...
We agree with the Second Circuit that the trial court erred in fixing on whether the information contained in the memoirs was actually new to the public. As Judge Meskill wisely noted, “[c]ourts should be chary of deciding what is and what is not news.” The Nation has every right to seek to be the first to publish information. But The Nation went beyond simply reporting uncopyrightable information and actively sought to exploit the headline value of its infringement, making a “news event” out of its unauthorized first publication of a noted figure’s copyrighted expression.

The fact that a publication was commercial as opposed to nonprofit is a separate factor that tends to weigh against a finding of fair use. “Every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright.” Sony Corp. of America v. Universal City Studios, Inc. In arguing that the purpose of news reporting is not purely commercial, The Nation misses the point entirely. The crux of the profit/nonprofit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.

In evaluating character and purpose we cannot ignore The Nation’s stated purpose of scooping the forthcoming hard-cover and Time abstracts. The Nation’s use had not merely the incidental effect but the intended purpose of supplanting the copyright holder’s commercially valuable right of first publication. Also relevant to the “character” of the use is “the propriety of the defendant’s conduct.” The trial court found that The Nation knowingly exploited a purloined manuscript. Unlike the typical claim of fair use, The Nation cannot offer up even the fiction of consent as justification. Like its competitor newsweekly, it was free to bid for the right of abstracting excerpts from “A Time to Heal.”

*Nature of the Copyrighted Work.* Second, the Act directs attention to the nature of the copyrighted work. “A Time to Heal” may be characterized as an unpublished historical narrative or autobiography. The law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy.

Some of the briefer quotes from the memoirs are arguably necessary adequately to convey the facts; for example, Mr. Ford’s characterization of the White House tapes as the “smoking gun” is perhaps so integral to the idea expressed as to be inseparable from it. But The Nation did not stop at isolated phrases and instead excerpted subjective descriptions and portraits of public figures whose power lies in the author’s individualized expression. Such use, focusing on the most expressive elements of the work, exceeds that necessary to disseminate the facts.

The fact that a work is unpublished is a critical element of its “nature.” Our prior discussion establishes that the scope of fair use is narrower with respect to unpublished works. While even substantial quotations might qualify as fair use in a review of a published work or a news account of a speech that had been delivered to the public or disseminated to the press, the author’s right to control the first public appearance of his expression weighs against such use of the work before its release. The right of first publication encompasses not only the choice whether to publish at all, but also the choices of when, where, and in what form first to publish a work.

In the case of Mr. Ford’s manuscript, the copyright holders’ interest in confidentiality is irrefutable; the copyright holders had entered into a contractual undertaking to “keep the manuscript confidential” and required that all those to whom the manuscript was shown also “sign an agreement to keep the manuscript confidential.” While the copyright holders’ contract with Time required Time to submit its proposed article seven days before...
publication, The Nation’s clandestine publication afforded no such opportunity for creative or quality control. It was hastily patched together and contained “a number of inaccuracies.” A use that so clearly infringes the copyright holder’s interests in confidentiality and creative control is difficult to characterize as “fair.”

Amount and Substantiality of the Portion Used. Next, the Act directs us to examine the amount and substantiality of the portion used in relation to the copyrighted work as a whole. In absolute terms, the words actually quoted were an insubstantial portion of “A Time to Heal.” The District Court, however, found that “[T]he Nation took what was essentially the heart of the book.” We believe the Court of Appeals erred in overruling the District Judge’s evaluation of the qualitative nature of the taking. A Time editor described the chapters on the pardon as “the most interesting and moving parts of the entire manuscript.” The portions actually quoted were selected by Mr. Navasky as among the most powerful passages in those chapters. He testified that he used verbatim excerpts because simply reciting the information could not adequately convey the “absolute certainty with which [Ford] expressed himself,” or show that “this comes from President Ford,” or carry the “definitive quality” of the original. In short, he quoted these passages precisely because they qualitatively embodied Ford’s distinctive expression.

As the statutory language indicates, a taking may not be excused merely because it is insubstantial with respect to the infringing work. As Judge Learned Hand cogently remarked, “no plagiarist can excuse the wrong by showing how much of his work he did not pirate.” Sheldon v. Metro-Goldwyn Pictures Corp. (2d Cir.). Conversely, the fact that a substantial portion of the infringing work was copied verbatim is evidence of the qualitative value of the copied material, both to the originator and to the plagiarist who seeks to profit from marketing someone else’s copyrighted expression.

Stripped to the verbatim quotes, the direct takings from the unpublished manuscript constitute at least 13% of the infringing article. The Nation article is structured around the quoted excerpts which serve as its dramatic focal points. In view of the expressive value of the excerpts and their key role in the infringing work, we cannot agree with the Second Circuit that the “magazine took a meager, indeed an infinitesimal amount of Ford’s original language.”

Effect on the Market. Finally, the Act focuses on “the effect of the use upon the potential market for or value of the copyrighted work.” This last factor is undoubtedly the single most important element of fair use.9 “Fair use, when properly applied, is limited to copying by others which does not materially impair the marketability of the work which is copied.” . . . Rarely will a case of copyright infringement present such clear-cut evidence of actual damage. Petitioners assured Time that there would be no other authorized publication of any portion of the unpublished manuscript prior to April 23, 1979. Any publication of material from chapters 1 and 3 would permit Time to renegotiate its final payment. Time cited The Nation’s article, which contained verbatim quotes from the unpublished manuscript, as a reason for its nonperformance. . . . [O]nce a copyright holder establishes with reasonable probability the existence of a causal connection between the infringement and a loss of revenue, the burden properly shifts to the infringer to show that this damage would have occurred had there been no taking of

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9 Economists who have addressed the issue believe the fair use exception should come into play only in those situations in which the market fails or the price the copyright holder would ask is near zero. As the facts here demonstrate, there is a fully functioning market that encourages the creation and dissemination of memoirs of public figures. In the economists’ view, permitting “fair use” to displace normal copyright channels disrupts the copyright market without a commensurate public benefit.
copyrighted expression. Petitioners established a prima facie case of actual damage that respondents failed to rebut.

More important, to negate fair use one need only show that if the challenged use “should become widespread, it would adversely affect the potential market for the copyrighted work.” *Sony Corp. of America v. Universal City Studios, Inc.* This inquiry must take account not only of harm to the original but also of harm to the market for derivative works. “If the defendant’s work adversely affects the value of any of the rights in the copyrighted work (in this case the adaptation [and serialization] right) the use is not fair.” 3 Nimmer § 13.05[B].

V

The Court of Appeals erred in concluding that The Nation’s use of the copyrighted material was excused by the public’s interest in the subject matter. In sum, the traditional doctrine of fair use, as embodied in the Copyright Act, does not sanction the use made by The Nation of these copyrighted materials. Any copyright infringer may claim to benefit the public by increasing public access to the copyrighted work. But Congress has not designed, and we see no warrant for judicially imposing, a “compulsory license” permitting unfettered access to the unpublished copyrighted expression of public figures.

The Nation conceded that its verbatim copying of some 300 words of direct quotation from the Ford manuscript would constitute an infringement unless excused as a fair use. Because we find that The Nation’s use of these verbatim excerpts from the unpublished manuscript was not a fair use, the judgment of the Court of Appeals is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

Justice BRENNAN, with whom Justice WHITE and Justice MARSHALL join, dissenting. [Omitted.]

Questions:

1.) What “rules” can you extract from *Harper & Row*? (By rules, we mean something akin to *Sony*’s rulings on the effect of commercial and noncommercial use on the burden of proof on market harm—nuggets of relatively firm doctrine that instruct lower courts exactly how to apply the four factors.) Give both an expansive and a restricted version of its holding.

2.) Under what circumstances would the *Harper & Row* Court allow use of the actual expression of a copyrighted work in a way that was extremely likely to harm some of the markets for that work? Can you think of circumstances where such uses should be found as fair?

3.) What is the right of first publication? List all of the reasons that the *Harper & Row* Court gives for treating this right of the copyright holder in a different way from the other rights implicated by § 106.

4.) The majority describes *The Nation*’s goal as being merely to “scoop” *Time* in breaking the story—to get to market first with the same story. If you were representing *The Nation*, how would you describe its goals? Are there any details from the case you can use to support your account?
3.) Transformative Use, Parody, Commentary and Burdens of Proof Revisited

Campbell v. Acuff-Rose
510 U.S. 569 (1994)

Justice SOUTER delivered the opinion of the Court.

We are called upon to decide whether 2 Live Crew’s commercial parody of Roy Orbison’s song, “Oh, Pretty Woman,” may be a fair use within the meaning of the Copyright Act of 1976, 17 U.S.C. § 107. Although the District Court granted summary judgment for 2 Live Crew, the Court of Appeals reversed, holding the defense of fair use barred by the song’s commercial character and excessive borrowing. Because we hold that a parody’s commercial character is only one element to be weighed in a fair use enquiry, and that insufficient consideration was given to the nature of parody in weighing the degree of copying, we reverse and remand.

I

In 1964, Roy Orbison and William Dees wrote a rock ballad called “Oh, Pretty Woman” and assigned their rights in it to respondent Acuff-Rose Music, Inc. Acuff-Rose registered the song for copyright protection.

Petitioners Luther R. Campbell, Christopher Wongwon, Mark Ross, and David Hobbs are collectively known as 2 Live Crew, a popular rap music group. In 1989, Campbell wrote a song entitled “Pretty Woman,” which he later described in an affidavit as intended, “through comical lyrics, to satirize the original work. . . .” On July 5, 1989, 2 Live Crew’s manager informed Acuff-Rose that 2 Live Crew had written a parody of “Oh, Pretty Woman,” that they would afford all credit for ownership and authorship of the original song to Acuff-Rose, Dees, and Orbison, and that they were willing to pay a fee for the use they wished to make of it. Enclosed with the letter were a copy of the lyrics and a recording of 2 Live Crew’s song. Acuff-Rose’s agent refused permission, stating that “I am aware of the success enjoyed by ‘The 2 Live Crews’, but I must inform you that we cannot permit the use of a parody of ‘Oh, Pretty Woman.’” Nonetheless, in June or July 1989, 2 Live Crew released records, cassette tapes, and compact discs of “Pretty Woman” in a collection of songs entitled “As Clean As They Wanna Be.” The albums and compact discs identify the authors of “Pretty Woman” as Orbison and Dees and its publisher as Acuff-Rose.

II

It is uncontested here that 2 Live Crew’s song would be an infringement of Acuff-Rose’s rights in “Oh, Pretty Woman,” under the Copyright Act of 1976, 17 U.S.C. § 106, but for a finding of fair use through parody. From the infancy of copyright protection, some opportunity for fair use of copyrighted materials has been thought necessary to fulfill copyright’s very purpose, “[t]o promote the Progress of Science and useful

1 Rap has been defined as a “style of black American popular music consisting of improvised rhymes performed to a rhythmic accompaniment.” The Norton/Grove Concise Encyclopedia of Music 613 (1988). 2 Live Crew plays “[b]ass music,” a regional, hip-hop style of rap from the Liberty City area of Miami, Florida.
Arts. . . .” U.S. Const., Art. I, § 8, cl. 8. For as Justice Story explained, “[i]n truth, in literature, in science and in art, there are, and can be, few, if any, things, which in an abstract sense, are strictly new and original throughout. Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before.” Similarly, Lord Ellenborough expressed the inherent tension in the need simultaneously to protect copyrighted material and to allow others to build upon it when he wrote, “while I shall think myself bound to secure every man in the enjoyment of his copy-right, one must not put manacles upon science.” In copyright cases brought under the Statute of Anne of 1710, English courts held that in some instances “fair abridgements” would not infringe an author’s rights, and although the First Congress enacted our initial copyright statute without any explicit reference to “fair use,” as it later came to be known, the doctrine was recognized by the American courts nonetheless. . . . . . The fair use doctrine thus “permits [and requires] courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.”

The task is not to be simplified with bright-line rules, for the statute, like the doctrine it recognizes, calls for case-by-case analysis. The text employs the terms “including” and “such as” in the preamble paragraph to indicate the “illustrative and not limitative” function of the examples given, which thus provide only general guidance about the sorts of copying that courts and Congress most commonly had found to be fair uses. Nor may the four statutory factors be treated in isolation, one from another. All are to be explored, and the results weighed together, in light of the purposes of copyright.

The first factor in a fair use enquiry is “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.” § 107(1). This factor draws on Justice Story’s formulation, “the nature and objects of the selections made.” The enquiry here may be guided by the examples given in the preamble to § 107, looking to whether the use is for criticism, or comment, or news reporting, and the like, see § 107. The central purpose of this investigation is to see, in Justice Story’s words, whether the new work merely “supersede[s] the objects” of the original creation, or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is “transformative.” Although such transformative use is not absolutely necessary for a finding of fair use, the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works. Such works thus lie at the heart of the fair use doctrine’s guarantee of breathing space within the confines of copyright, and the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.

This Court has only once before even considered whether parody may be fair use, and that time issued no opinion because of the Court’s equal division. Suffice it to say now that parody has an obvious claim to transformative value, as Acuff-Rose itself does not deny. Like less ostensibly humorous forms of criticism, it can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one. We thus line up with the courts that have held that parody, like other comment or criticism, may claim fair use under § 107.

The germ of parody lies in the definition of the Greek parodeia, quoted in Judge
Nelson’s Court of Appeals dissent, as “a song sung alongside another.” Modern dictionaries accordingly describe a parody as a “literary or artistic work that imitates the characteristic style of an author or a work for comic effect or ridicule,” or as a “composition in prose or verse in which the characteristic turns of thought and phrase in an author or class of authors are imitated in such a way as to make them appear ridiculous.” For the purposes of copyright law, the nub of the definitions, and the heart of any parodist’s claim to quote from existing material, is the use of some elements of a prior author’s composition to create a new one that, at least in part, comments on that author’s works. If, on the contrary, the commentary has no critical bearing on the substance or style of the original composition, which the alleged infringer merely uses to get attention or to avoid the drudgery in working up something fresh, the claim to fairness in borrowing from another’s work diminishes accordingly (if it does not vanish), and other factors, like the extent of its commerciality, loom larger. Parody needs to mimic an original to make its point, and so has some claim to use the creation of its victim’s (or collective victims’) imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing.

The fact that parody can claim legitimacy for some appropriation does not, of course, tell either parodist or judge much about where to draw the line. Like a book review quoting the copyrighted material criticized, parody may or may not be fair use, and petitioners’ suggestion that any parodic use is presumptively fair has no more justification in law or fact than the equally hopeful claim that any use for news reporting should be presumed fair. The Act has no hint of an evidentiary preference for parodists over their victims, and no workable presumption for parody could take account of the fact that parody often shades into satire when society is lampooned through its creative artifacts, or that a work may contain both parodic and nonparodic elements. Accordingly, parody, like any other use, has to work its way through the relevant factors, and be judged case by case, in light of the ends of the copyright law.

Here, the District Court held, and the Court of Appeals assumed, that 2 Live Crew’s “Pretty Woman” contains parody, commenting on and criticizing the original work, whatever it may have to say about society at large. As the District Court remarked, the words of 2 Live Crew’s song copy the original’s first line, but then “quickly degenerate[e] into a play on words, substituting predictable lyrics with shocking ones . . . [that] derisively demonstrat[e] how bland and banal the Orbison song seems to them.” Judge Nelson, dissenting below, came to the same conclusion, that the 2 Live Crew song “was clearly intended to ridicule the white-bread original” and “reminds us that sexual congress with nameless streetwalkers is not necessarily the stuff of romance and is not necessarily without its consequences. The singers (there are several) have the same thing on their minds as did the lonely man with the nasal voice, but here there is no hint of wine and roses.” Although the majority below had difficulty discerning any criticism of the

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14 A parody that more loosely targets an original than the parody presented here may still be sufficiently aimed at an original work to come within our analysis of parody. If a parody whose wide dissemination in the market runs the risk of serving as a substitute for the original or licensed derivatives, it is more incumbent on one claiming fair use to establish the extent of transformation and the parody’s critical relationship to the original. By contrast, when there is little or no risk of market substitution, whether because of the large extent of transformation of the earlier work, the new work’s minimal distribution in the market, the small extent to which it borrows from an original, or other factors, taking parodic aim at an original is a less critical factor in the analysis, and looser forms of parody may be found to be fair use, as may satire with lesser justification for the borrowing than would otherwise be required.

15 Satire has been defined as a work “in which prevalent follies or vices are assailed with ridicule,” or are “attacked through irony, derision, or wit”.
original in 2 Live Crew’s song, it assumed for purposes of its opinion that there was some.

We have less difficulty in finding that critical element in 2 Live Crew’s song than the Court of Appeals did, although having found it we will not take the further step of evaluating its quality. The threshold question when fair use is raised in defense of parody is whether a parodic character may reasonably be perceived. Whether, going beyond that, parody is in good taste or bad does not and should not matter to fair use. As Justice Holmes explained, “[i]t would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of [a work], outside of the narrowest and most obvious limits. At the one extreme some works of genius would be sure to miss appreciation. Their very novelty would make them repulsive until the public had learned the new language in which their author spoke.”

While we might not assign a high rank to the parodic element here, we think it fair to say that 2 Live Crew’s song reasonably could be perceived as commenting on the original or criticizing it, to some degree. 2 Live Crew juxtaposes the romantic musings of a man whose fantasy comes true, with degrading taunts, a bawdy demand for sex, and a sigh of relief from paternal responsibility. The later words can be taken as a comment on the naiveté of the original of an earlier day, as a rejection of its sentiment that ignores the ugliness of street life and the debasement that it signifies. It is this joiner of reference and ridicule that marks off the author’s choice of parody from the other types of comment and criticism that traditionally have had a claim to fair use protection as transformative works.

The Court of Appeals, however, immediately cut short the enquiry into 2 Live Crew’s fair use claim by confining its treatment of the first factor essentially to one relevant fact, the commercial nature of the use. The court then inflated the significance of this fact by applying a presumption ostensibly culled from Sony, that “every commercial use of copyrighted material is presumptively . . . unfair. . . .” In giving virtually dispositive weight to the commercial nature of the parody, the Court of Appeals erred.

The language of the statute makes clear that the commercial or nonprofit educational purpose of a work is only one element of the first factor enquiry into its purpose and character. Section 107(1) uses the term “including” to begin the dependent clause referring to commercial use, and the main clause speaks of a broader investigation into “purpose and character.” As we explained in Harper & Row, Congress resisted attempts to narrow the ambit of this traditional enquiry by adopting categories of presumptively fair use, and it urged courts to preserve the breadth of their traditionally ample view of the universe of relevant evidence. Accordingly, the mere fact that a use is educational and not for profit does not insulate it from a finding of infringement, any more than the commercial character of a use bars a finding of fairness. If, indeed, commerciality carried presumptive force against a finding of fairness, the presumption would swallow nearly all of the illustrative uses listed in the preamble paragraph of § 107, including news reporting, comment, criticism, teaching, scholarship, and research, since these activities “are generally conducted for profit in this country.” Congress could not have intended such a rule, which certainly is not inferable from the common-law cases, arising as they did from the world of letters in which Samuel Johnson could pronounce that “[n]o man but a blockhead ever wrote, except for money.”

Sony itself called for no hard evidentiary presumption. There, we emphasized the need for a “sensitive balancing of interests,” noted that Congress had “eschewed a rigid, bright-line approach to fair use,” and stated that the commercial or nonprofit educational character of a work is “not conclusive,” but rather a fact to be “weighed along with other[s] in fair use decisions.” The Court of Appeals’s elevation of one sentence from
Sony to a per se rule thus runs as much counter to Sony itself as to the long common-law tradition of fair use adjudication. Rather, as we explained in Harper & Row, Sony stands for the proposition that the “fact that a publication was commercial as opposed to nonprofit is a separate factor that tends to weigh against a finding of fair use.” But that is all, and the fact that even the force of that tendency will vary with the context is a further reason against elevating commerciality to hard presumptive significance. The use, for example, of a copyrighted work to advertise a product, even in a parody, will be entitled to less indulgence under the first factor of the fair use enquiry than the sale of a parody for its own sake, let alone one performed a single time by students in school.18

B

The second statutory factor, “the nature of the copyrighted work,” § 107(2), draws on Justice Story’s expression, the “value of the materials used.” This factor calls for recognition that some works are closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish when the former works are copied. We agree with both the District Court and the Court of Appeals that the Orbison original’s creative expression for public dissemination falls within the core of the copyright’s protective purposes. This fact, however, is not much help in this case, or ever likely to help much in separating the fair use sheep from the infringing goats in a parody case, since parodies almost invariably copy publicly known, expressive works.

C

The third factor asks whether “the amount and substantiality of the portion used in relation to the copyrighted work as a whole,” § 107(3) are reasonable in relation to the purpose of the copying. Here, attention turns to the persuasiveness of a parodist’s justification for the particular copying done, and the enquiry will harken back to the first of the statutory factors, for, as in prior cases, we recognize that the extent of permissible copying varies with the purpose and character of the use. The facts bearing on this factor will also tend to address the fourth, by revealing the degree to which the parody may serve as a market substitute for the original or potentially licensed derivatives.

The District Court considered the song’s parodic purpose in finding that 2 Live Crew had not helped themselves overmuch. The Court of Appeals disagreed, stating that “[w]hile it may not be inappropriate to find that no more was taken than necessary, the copying was qualitatively substantial. . . . We conclude that taking the heart of the original and making it the heart of a new work was to purloin a substantial portion of the essence of the original.”

The Court of Appeals is of course correct that this factor calls for thought not only about the quantity of the materials used, but about their quality and importance, too. In Harper & Row, for example, the Nation had taken only some 300 words out of President Ford’s memoirs, but we signaled the significance of the quotations in finding them to amount to “the heart of the book,” the part most likely to be newsworthy and important in licensing serialization. We also agree with the Court of Appeals that whether “a substantial portion of the infringing work was copied verbatim” from the copyrighted

18 . . . [W]e reject Acuff-Rose’s argument that 2 Live Crew’s request for permission to use the original should be weighed against a finding of fair use. Even if good faith were central to fair use, 2 Live Crew’s actions do not necessarily suggest that they believed their version was not fair use; the offer may simply have been made in a good-faith effort to avoid this litigation. If the use is otherwise fair, then no permission need be sought or granted. Thus, being denied permission to use a work does not weigh against a finding of fair use.
work is a relevant question, for it may reveal a dearth of transformative character or purpose under the first factor, or a greater likelihood of market harm under the fourth; a work composed primarily of an original, particularly its heart, with little added or changed, is more likely to be a merely superseding use, fulfilling demand for the original.

Where we part company with the court below is in applying these guides to parody, and in particular to parody in the song before us. Parody presents a difficult case. Parody’s humor, or in any event its comment, necessarily springs from recognizable allusion to its object through distorted imitation. Its art lies in the tension between a known original and its parodic twin. When parody takes aim at a particular original work, the parody must be able to “conjure up” at least enough of that original to make the object of its critical wit recognizable. What makes for this recognition is quotation of the original’s most distinctive or memorable features, which the parodist can be sure the audience will know. Once enough has been taken to assure identification, how much more is reasonable will depend, say, on the extent to which the song’s overriding purpose and character is to parody the original or, in contrast, the likelihood that the parody may serve as a market substitute for the original. But using some characteristic features cannot be avoided.

We think the Court of Appeals was insufficiently appreciative of parody’s need for the recognizable sight or sound when it ruled 2 Live Crew’s use unreasonable as a matter of law. It is true, of course, that 2 Live Crew copied the characteristic opening bass riff (or musical phrase) of the original, and true that the words of the first line copy the Orbison lyrics. But if quotation of the opening riff and the first line may be said to go to the “heart” of the original, the heart is also what most readily conjures up the song for parody, and it is the heart at which parody takes aim. Copying does not become excessive in relation to parodic purpose merely because the portion taken was the original’s heart. If 2 Live Crew had copied a significantly less memorable part of the original, it is difficult to see how its parodic character would have come through.

This is not, of course, to say that anyone who calls himself a parodist can skim the cream and get away scot free. In parody, as in news reporting, context is everything, and the question of fairness asks what else the parodist did besides go to the heart of the original. It is significant that 2 Live Crew not only copied the first line of the original, but thereafter departed markedly from the Orbison lyrics for its own ends. 2 Live Crew not only copied the bass riff and repeated it, but also produced otherwise distinctive sounds, interposing “scraper” noise, overlaying the music with solos in different keys, and altering the drum beat. This is not a case, then, where “a substantial portion” of the parody itself is composed of a “verbatim” copying of the original. It is not, that is, a case where the parody is so insubstantial, as compared to the copying, that the third factor must be resolved as a matter of law against the parodists.

Suffice it to say here that, as to the lyrics, we think the Court of Appeals correctly suggested that “no more was taken than necessary,” but just for that reason, we fail to see how the copying can be excessive in relation to its parodic purpose, even if the portion taken is the original’s “heart.” As to the music, we express no opinion whether repetition of the bass riff is excessive copying, and we remand to permit evaluation of the amount taken, in light of the song’s parodic purpose and character, its transformative elements, and considerations of the potential for market substitution sketched more fully below.

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19 This may serve to heighten the comic effect of the parody, as one witness stated, or serve to dazzle with the original’s music, as Acuff-Rose now contends.
The fourth fair use factor is “the effect of the use upon the potential market for or value of the copyrighted work.” § 107(4). It requires courts to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also “whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market” for the original. The enquiry “must take account not only of harm to the original but also of harm to the market for derivative works.”

Since fair use is an affirmative defense, its proponent would have difficulty carrying the burden of demonstrating fair use without favorable evidence about relevant markets. In moving for summary judgment, 2 Live Crew left themselves at just such a disadvantage when they failed to address the effect on the market for rap derivatives, and confined themselves to uncontroverted submissions that there was no likely effect on the market for the original. They did not, however, thereby subject themselves to the evidentiary presumption applied by the Court of Appeals. In assessing the likelihood of significant market harm, the Court of Appeals quoted from language in Sony that “[i]f the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated.” The court reasoned that because “the use of the copyrighted work is wholly commercial, . . . we presume that a likelihood of future harm to Acuff-Rose exists.” In so doing, the court resolved the fourth factor against 2 Live Crew, just as it had the first, by applying a presumption about the effect of commercial use, a presumption which as applied here we hold to be error.

No “presumption” or inference of market harm that might find support in Sony is applicable to a case involving something beyond mere duplication for commercial purposes. Sony’s discussion of a presumption contrasts a context of verbatim copying of the original in its entirety for commercial purposes, with the noncommercial context of Sony itself (home copying of television programming). In the former circumstances, what Sony said simply makes common sense: when a commercial use amounts to mere duplication of the entirety of an original, it clearly “supersed[e] the objects,” of the original and serves as a market replacement for it, making it likely that cognizable market harm to the original will occur. But when, on the contrary, the second use is transformative, market substitution is at least less certain, and market harm may not be so readily inferred. Indeed, as to parody pure and simple, it is more likely that the new work will not affect the market for the original in a way cognizable under this factor, that is, by acting as a substitute for it (“superseded[ing] [its] objects”). This is so because the parody and the original usually serve different market functions.

We do not, of course, suggest that a parody may not harm the market at all, but when a lethal parody, like a scathing theater review, kills demand for the original, it does not produce a harm cognizable under the Copyright Act. Because “parody may quite legitimately aim at garroting the original, destroying it commercially as well as artistically,” the role of the courts is to distinguish between “[b]iting criticism [that merely] suppresses demand [and] copyright infringement[, which] usurps it.” Fisher v. Dees.

21 Even favorable evidence, without more, is no guarantee of fairness. Judge Leval gives the example of the film producer’s appropriation of a composer’s previously unknown song that turns the song into a commercial success; the boon to the song does not make the film’s simple copying fair. This factor, no less than the other three, may be addressed only through a “sensitive balancing of interests.” Market harm is a matter of degree, and the importance of this factor will vary, not only with the amount of harm, but also with the relative strength of the showing on the other factors.
This distinction between potentially remediable displacement and unremediable disparagement is reflected in the rule that there is no protectible derivative market for criticism. The market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop. Yet the unlikelihood that creators of imaginative works will license critical reviews or lampoons of their own productions removes such uses from the very notion of a potential licensing market. “People ask . . . for criticism, but they only want praise.” S. Maugham, Of Human Bondage 241 (Penguin ed. 1992). Thus, to the extent that the opinion below may be read to have considered harm to the market for parodies of “Oh, Pretty Woman,” the court erred.22

In explaining why the law recognizes no derivative market for critical works, including parody, we have, of course, been speaking of the later work as if it had nothing but a critical aspect (i.e., “parody pure and simple”). But the later work may have a more complex character, with effects not only in the arena of criticism but also in protectible markets for derivative works, too. In that sort of case, the law looks beyond the criticism to the other elements of the work, as it does here. 2 Live Crew’s song comprises not only parody but also rap music, and the derivative market for rap music is a proper focus of enquiry. Evidence of substantial harm to it would weigh against a finding of fair use, because the licensing of derivatives is an important economic incentive to the creation of originals. Of course, the only harm to derivatives that need concern us, as discussed above, is the harm of market substitution. The fact that a parody may impair the market for derivative uses by the very effectiveness of its critical commentary is no more relevant under copyright than the like threat to the original market.24

Although 2 Live Crew submitted uncontroverted affidavits on the question of market harm to the original, neither they, nor Acuff-Rose, introduced evidence or affidavits addressing the likely effect of 2 Live Crew’s parodic rap song on the market for a nonparody, rap version of “Oh, Pretty Woman.” And while Acuff-Rose would have us find evidence of a rap market in the very facts that 2 Live Crew recorded a rap parody of “Oh, Pretty Woman” and another rap group sought a license to record a rap derivative, there was no evidence that a potential rap market was harmed in any way by 2 Live Crew’s parody, rap version. The fact that 2 Live Crew’s parody sold as part of a collection of rap songs says very little about the parody’s effect on a market for a rap version of the original, either of the music alone or of the music with its lyrics. The District Court essentially passed on this issue, observing that Acuff-Rose is free to record “whatever version of the original it desires,” the Court of Appeals went the other way by erroneous presumption. Contrary to each treatment, it is impossible to deal with the fourth factor except by recognizing that a silent record on an important factor bearing on fair use disentitled the proponent of the defense, 2 Live Crew, to summary judgment. The evidentiary hole will doubtless be plugged on remand.

III

It was error for the Court of Appeals to conclude that the commercial nature of 2

22 We express no opinion as to the derivative markets for works using elements of an original as vehicles for satire or amusement, making no comment on the original or criticism of it.

24 In some cases it may be difficult to determine whence the harm flows. In such cases, the other fair use factors may provide some indicia of the likely source of the harm. A work whose overriding purpose and character is parodic and whose borrowing is slight in relation to its parody will be far less likely to cause cognizable harm than a work with little parodic content and much copying.
Live Crew’s parody of “Oh, Pretty Woman” rendered it presumptively unfair. No such evidentiary presumption is available to address either the first factor, the character and purpose of the use, or the fourth, market harm, in determining whether a transformative use, such as parody, is a fair one. The court also erred in holding that 2 Live Crew had necessarily copied excessively from the Orbison original, considering the parodic purpose of the use. We therefore reverse the judgment of the Court of Appeals and remand the case for further proceedings consistent with this opinion.

It is so ordered.

Justice KENNEDY, concurring.

... The fair use factors thus reinforce the importance of keeping the definition of parody within proper limits. More than arguable parodic content should be required to deem a would-be parody a fair use. Fair use is an affirmative defense, so doubts about whether a given use is fair should not be resolved in favor of the self-proclaimed parodist. We should not make it easy for musicians to exploit existing works and then later claim that their rendition was a valuable commentary on the original. Almost any revamped modern version of a familiar composition can be construed as a “comment on the naïveté of the original,” because of the difference in style and because it will be amusing to hear how the old tune sounds in the new genre. Just the thought of a rap version of Beethoven’s Fifth Symphony or “Achy Breaky Heart” is bound to make people smile. If we allow any weak transformation to qualify as parody, however, we weaken the protection of copyright. And underprotection of copyright disserves the goals of copyright just as much as overprotection, by reducing the financial incentive to create.

The Court decides it is “fair to say that 2 Live Crew’s song reasonably could be perceived as commenting on the original or criticizing it, to some degree.” While I am not so assured that 2 Live Crew’s song is a legitimate parody, the Court’s treatment of the remaining factors leaves room for the District Court to determine on remand that the song is not a fair use. As future courts apply our fair use analysis, they must take care to ensure that not just any commercial takeoff is rationalized post hoc as a parody.

With these observations, I join the opinion of the Court.

APPENDIX A TO OPINION OF THE COURT

“Oh, Pretty Woman” by Roy Orbison and William Dees

Pretty Woman, walking down the street,
Pretty Woman, the kind I like to meet,
Pretty Woman, I don’t believe you, you’re not the truth,
No one could look as good as you Mercy
Pretty Woman, won’t you pardon me,
Pretty Woman, I couldn’t help but see,
Pretty Woman, that you look lovely as can be Are you lonely just like me?
Pretty Woman, stop a while,
Pretty Woman, talk a while,
Pretty Woman give your smile to me
Pretty Woman, yeah, yeah, yeah
Pretty Woman, look my way,
Pretty Woman, say you’ll stay with me
'Cause I need you, I’ll treat you right
Come to me baby, Be mine tonight
Pretty Woman, don’t walk on by,
Pretty Woman, don’t make me cry,
Pretty Woman, don’t walk away,
Hey, O. K.
If that’s the way it must be, O. K.
I guess I’ll go on home, it’s late
There’ll be tomorrow night, but wait!
What do I see
Is she walking back to me?
Yeah, she’s walking back to me!
Oh, Pretty Woman.

APPENDIX B TO OPINION OF THE COURT

“Pretty Woman” as Recorded by 2 Live Crew

Pretty woman walkin’ down the street
Pretty woman girl you look so sweet
Pretty woman you bring me down to that knee
Pretty woman you make me wanna beg please
Oh, pretty woman
Big hairy woman you need to shave that stuff
Big hairy woman you know I bet it’s tough
Big hairy woman all that hair it ain’t legit
’Cause you look like ‘Cousin It’
Big hairy woman
Bald headed woman girl your hair won’t grow
Bald headed woman you got a teeny weeny afro
Bald headed woman you know your hair could look nice
Bald headed woman first you got to roll it with rice
Bald headed woman here, let me get this hunk of biz for ya
Ya know what I’m saying you look better than rice a roni
Oh bald headed woman
Big hairy woman come on in
And don’t forget your bald headed friend
Hey pretty woman let the boys Jump in
Two timin’ woman girl you know you ain’t right
Two timin’ woman you’s out with my boy last night
Two timin’ woman that takes a load off my mind
Two timin’ woman now I know the baby ain’t mine
Oh, two timin’ woman
Oh pretty woman

Questions:

1.) “Sony itself called for no hard evidentiary presumption.” True?

2.) Why should we assume that commercial transformative works might not cause economic harm to the underlying works? Because they are different from the original and
thus not market-substitutes? Because the transformation indicates that it is more likely that the use is “fair” and not motivated by mere lazy and inequitable free-riding? Because we do not care as much about the economic loss to the original author if he or she is standing in the way of a potentially transformative subsequent work that might promote the progress? All three? Point to specific passages in the case to support your answer.

3.) Read (and listen) to both songs at issue in this case. Do you think the second is a parody? Why or why not? Does this depend on what 2 Live Crew had in mind? On what the audience perceives? On whether it is funny? On something else?

Judge Nelson, dissenting below, came to the . . . conclusion . . . that the 2 Live Crew song “was clearly intended to ridicule the white-bread original” and “reminds us that sexual congress with nameless streetwalkers is not necessarily the stuff of romance and is not necessarily without its consequences.”

Consider these lines from the original “but wait! What do I see? Is she walking back to me? Yeah, she’s walking back to me!” Would Roy Orbison really be as delighted or surprised if the “pretty woman” who had just done a U Turn was a streetwalker in search of a commercial transaction? Is Judge Nelson (and the Court) confusing Pretty Woman the song, with Pretty Woman the 1990 movie, which romanticizes prostitution and Beverly Hills shopping (though not necessarily in that order)? Does the case turn on this kind of aesthetic judgment call?

4.) What does this case say about subsequent versions that actually do cause economic harm to the copyrighted work—the devastating review, or vicious parody that causes audiences to forsake the original version? Is this consistent with Harper & Row?

5.) Reconcile these two passages

Although 2 Live Crew submitted uncontroverted affidavits on the question of market harm to the original, neither they, nor Acuff-Rose, introduced evidence or affidavits addressing the likely effect of 2 Live Crew’s parodic rap song on the market for a nonparody, rap version of “Oh, Pretty Woman.” [Emphasis added.]

and

We do not, of course, suggest that a parody may not harm the market at all, but when a lethal parody, like a scathing theater review, kills demand for the original, it does not produce a harm cognizable under the Copyright Act. Because “parody may quite legitimately aim at garroting the original, destroying it commercially as well as artistically,” the role of the courts is to distinguish between “[b]iting criticism [that merely] suppresses demand [and] copyright infringement[, which] usurps it.” Fisher v. Dees.

6.) Does the ruling in Acuff-Rose apply to all transformative works or only to parody? Parody and satire? Does a parodist have a claim to take a greater amount from the original and if so, why?

7.) Summarize briefly the key doctrinal shifts in fair use introduced by each of the cases in this chain: Sony, Harper & Row, Acuff-Rose.
BIRCH, Circuit Judge.

In this opinion, we decide whether publication of *The Wind Done Gone* ("TWDG"), a fictional work admittedly based on Margaret Mitchell’s *Gone With the Wind* ("GWTW"), should be enjoined from publication based on alleged copyright violations. The district court granted a preliminary injunction against publication of *TWDG* because it found that Plaintiff-Appellee SunTrust Bank ("SunTrust") met the four-part test governing preliminary injunctions. We VACATE the injunction and REMAND for consideration of the remaining claims.

I. BACKGROUND

A. Procedural History

SunTrust is the trustee of the Mitchell Trust, which holds the copyright in *GWTW*. Since its publication in 1936, *GWTW* has become one of the best-selling books in the world, second in sales only to the Bible. The Mitchell Trust has actively managed the copyright, authorizing derivative works and a variety of commercial items. It has entered into a contract authorizing, under specified conditions, a second sequel to *GWTW* to be published by St. Martin’s Press. The Mitchell Trust maintains the copyright in all of the derivative works as well.

Alice Randall, the author of *TWDG*, persuasively claims that her novel is a critique of *GWTW*’s depiction of slavery and the Civil-War-era American South. To this end, she appropriated the characters, plot and major scenes from *GWTW* into the first half of *TWDG*. According to SunTrust, *TWDG* “(1) explicitly refers to [GWTW] in its foreword; (2) copies core characters, character traits, and relationships from [GWTW]; (3) copies and summarizes famous scenes and other elements of the plot from [GWTW]; and (4) copies verbatim dialogues and descriptions from [GWTW].” Defendant-Appellant Houghton Mifflin, the publisher of *TWDG*, does not contest the first three allegations, but nonetheless argues that there is no substantial similarity between the two works or, in the alternative, that the doctrine of fair use protects *TWDG* because it is primarily a parody of *GWTW*. . . .

II. DISCUSSION

Our primary focus at this stage of the case is on the appropriateness of the injunctive relief granted by the district court. In our analysis, we must evaluate the merits of SunTrust’s copyright infringement claim, including Houghton Mifflin’s affirmative defense of fair use. As we assess the fair-use defense, we examine to what extent a critic may use a work to communicate her criticism of the work without infringing the copyright in that work. . . .

. . . [T]he narrower question in this case is to what extent a critic may use the protected elements of an original work of authorship to communicate her criticism without infringing the copyright in that work. As will be discussed below, this becomes essentially an analysis of the fair use factors. . . .

Before considering a claimed fair-use defense based on parody, however, the Supreme Court has required that we ensure that “a parodic character may reasonably be

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2 Houghton Mifflin denies that there are passages from *GWTW* copied verbatim in *TWDG*.太阳银行对霍顿米夫林公司。268 F.3d 1257 (11th Cir. 2001)
perceived” in the allegedly infringing work. *Campbell v. Acuff-Rose Music, Inc.* (1994). The Supreme Court’s definition of parody in *Campbell*, however, is somewhat vague. On the one hand, the Court suggests that the aim of parody is “comic effect or ridicule,” but it then proceeds to discuss parody more expansively in terms of its “commentary” on the original. In light of the admonition in *Campbell* that courts should not judge the quality of the work or the success of the attempted humor in discerning its parodic character, we choose to take the broader view. For purposes of our fair-use analysis, we will treat a work as a parody if its aim is to comment upon or criticize a prior work by appropriating elements of the original in creating a new artistic, as opposed to scholarly or journalistic, work. Under this definition, the parodic character of *TWDG* is clear. *TWDG* is not a general commentary upon the Civil-War-era American South, but a specific criticism of and rejoinder to the depiction of slavery and the relationships between blacks and whites in *GWTW*. The fact that Randall chose to convey her criticisms of *GWTW* through a work of fiction, which she contends is a more powerful vehicle for her message than a scholarly article, does not, in and of itself, deprive *TWDG* of fair-use protection. We therefore proceed to an analysis of the four fair-use factors.

### i. Purpose and Character of the Work

The first factor in the fair-use analysis, the purpose and character of the allegedly infringing work, has several facets. The first is whether *TWDG* serves a commercial purpose or nonprofit educational purpose. Despite whatever educational function *TWDG* may be able to lay claim to, it is undoubtedly a commercial product.24 As the Supreme Court has stated, “[t]he crux of the profit/nonprofit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.” *Harper & Row Publishing, Inc. v. Nation Enters.* (1985). The fact that *TWDG* was published for profit is the first factor weighing against a finding of fair use. However, *TWDG*’s for-profit status is strongly overshadowed and outweighed in view of its highly transformative use of *GWTW*’s copyrighted elements.

The second factor in the “purpose and character” analysis relevant to this case is to what extent *TWDG*’s use of copyrighted elements of *GWTW* can be said to be “transformative.” The inquiry is “whether the new work merely supersedes 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.” *Campbell*. The issue of transformation is a double-edged sword in this case. On the one hand, the story of Cynara and her perception of the events in *TWDG* certainly adds new “expression, meaning, [and] message” to *GWTW*. From another perspective, however, *TWDG*’s success as a pure work of fiction depends heavily on copyrighted elements appropriated from *GWTW* to carry its own plot forward.

However, as noted above, *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*. Randall’s literary goal is to explode the romantic, idealized portrait of the antebellum South during and after the Civil War.

In light of this, we find it difficult to conclude that Randall simply tried to “avoid the drudgery in working up something fresh.” *Campbell*. It is hard to imagine how Randall could have specifically criticized *GWTW* without depending heavily upon copyrighted elements of that book. A parody is a work that seeks to comment upon or criticize another

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24 Randall did not choose to publish her work of fiction on the internet free to all the world to read; rather, she chose a method of publication designed to generate economic profit.
work by appropriating elements of the original. “Parody needs to mimic an original to make its point, and so has some claim to use the creation of its victim’s (or collective victims’) imagination.” Campbell. Thus, Randall has fully employed those conscripted elements from GWTW to make war against it. . . .

While “transformative use is not absolutely necessary for a finding of fair use, . . . the more transformative the new work, the less will be the significance of other factors.” In the case of TWDG, consideration of this factor certainly militates in favor of a finding of fair use, and, informs our analysis of the other factors, particularly the fourth, as discussed below.

ii. Nature of the Copyrighted Work

. . . GWTW is undoubtedly entitled to the greatest degree of protection as an original work of fiction. This factor is given little weight in parody cases, however. . . .

iii. Amount and Substantiality of the Portion Used

. . .

GWTW is one of the most famous, popular, and enduring American novels ever written. Given the fame of the work and its primary characters, SunTrust argues that very little reference is required to conjure up GWTW. As we have already indicated in our discussion of substantial similarity, TWDG appropriates a substantial portion of the protected elements of GWTW. Houghton Mifflin argues that TWDG takes nothing from GWTW that does not serve a parodic purpose, the crux of the argument being that a large number of characters had to be taken from GWTW because each represents a different ideal or stereotype that requires commentary, and that the work as a whole could not be adequately commented upon without revisiting substantial portions of the plot, including its most famous scenes. Houghton Mifflin’s argument is similar to that made by the defendants in Harper & Row, who argued for “expanding the doctrine of fair use to create what amounts to a public figure exception to copyright.” To the extent Houghton Mifflin argues for extra latitude in copying from GWTW because of its fame, the Supreme Court has squarely foreclosed any such privilege. . . . Notably, however, the Court did not go so far as to grant well-known works a special, higher copyright status either.

There are numerous instances in which TWDG appropriates elements of GWTW and then transforms them for the purpose of commentary. . . .

On the other hand, however, we are told that not all of TWDG’s takings from GWTW are clearly justified as commentary. We have already determined that TWDG is a parody, but not every parody is a fair use. SunTrust contends that TWDG, at least at the margins, takes more of the protected elements of GWTW than was necessary to serve a parodic function. . . .

. . . [W]e are presented with conflicting and opposing arguments relative to the amount taken and whether it was too much or a necessary amount. . . .

. . . Based upon this record at this juncture, we cannot determine in any conclusive way whether “the quantity and value of the materials used” are reasonable in relation to the purpose of the copying.” Campbell.

iv. Effect on the Market Value of the Original

The final fair-use factor requires us to consider the effect that the publication of TWDG will have on the market for or value of SunTrust’s copyright in GWTW, including the potential harm it may cause to the market for derivative works based on GWTW. Campbell. . . .

As for the potential market, SunTrust proffered evidence in the district court of the value of its copyright in GWTW. Several derivative works of GWTW have been authorized. . . .
SunTrust focuses on the value of GWTW and its derivatives, but fails to address and offers little evidence or argument to demonstrate that TWDG would supplant demand for SunTrust’s licensed derivatives. . . .

In contrast, the evidence proffered in support of the fair use defense specifically and correctly focused on market substitution and demonstrates why Randall’s book is unlikely to displace sales of GWTW. Thus, we conclude, based on the current record, that SunTrust’s evidence falls far short of establishing that TWDG or others like it will act as market substitutes for GWTW or will significantly harm its derivatives. Accordingly, the fourth fair use factor weighs in favor of TWDG . . . .

We reject the district court’s conclusion that SunTrust has established its likelihood of success on the merits. To the contrary, based upon our analysis of the fair use factors we find, at this juncture, TWDG is entitled to a fair-use defense . . . .

. . . Accordingly, we vacate the district court’s injunction. . . .

MARCUS, Circuit Judge, specially concurring.

I concur in Judge Birch’s thoughtful and thorough opinion but write separately to emphasize that, on this limited record, SunTrust has fallen well short of establishing a likelihood of success on its copyright infringement claim. I stress three points. First, the district court erred by finding that the critical or parodic element of The Wind Done Gone is anything but clear-cut. Far from amounting to “unabated piracy,” The Wind Done Gone is unequivocally parody, as both Judge Birch and the Supreme Court in Campbell v. Acuff-Rose Music, Inc., define that term. Indeed, the book is critical by constitution, its main aim being to shatter Gone With the Wind’s window on life in the antebellum and Civil War South. Second, in service of this parodic design, Randall radically reshapes what she borrows from Mitchell. I would thus go even further than Judge Birch in underscoring the transformative nature of Randall’s book; the “purpose and nature” prong of the fair use analysis is not a close call, in my view. Third, the preliminary record, if anything, suggests that The Wind Done Gone will not act as a substitute for Mitchell’s original. What little evidence we have before us indicates that these two books aim at different readerships; to the extent that there is any overlap between these respective markets, further factfinding may well reveal that these two books will act as complements rather than substitutes . . .

The Wind Done Gone’s critical nature is clearer than that of other works courts have found to be protected parodies. This case does not involve a pop song that simply “comment[s] on the naïveté of the original of an earlier day,” Campbell . . . .

. . . The two books’ shared subject matter simply helps demonstrate how The Wind Done Gone’s critical character is more pronounced than many protected parodies. Our analysis might have been different had we faced a conflict between two literary worldviews of less perfect polarity, for example, or two works that differed over a matter of less sharp controversy. As Judge Birch explains in detail, though, The Wind Done Gone’s plain object is to make war on Gone with the Wind’s specific outlook—on a topic that itself tends to elicit no small comment and criticism . . . .

. . . Had Randall chosen to write The Wind Done Gone from the point of view of one of Mitchell’s original characters, for example, and done no more than put a new gloss on the familiar tale without criticizing or commenting on its fundamental theme and spirit, Houghton Mifflin’s case would have been much tougher . . . .

3 It is hazardous to speculate too much about the legality of various hypothetical parodies, given the many forms literary parody may take, and the levels of sophistication it may reach. The irony and self-awareness common in contemporary literature, in particular, may one day pose difficulties for the fair use doctrine. It is
The district court recognized that “the two works . . . present polar viewpoints,” yet concluded that *The Wind Done Gone* recreates “the same fictional world, described in the same way and inhabited by the same people, who are doing the same things.” Of course, both works are set in the antebellum South, but *The Wind Done Gone* creates an alter universe described in a wholly different style, and inhabited by shrewd slaves who manipulate incompetent masters and free blacks who thrive independent of the white plantation system. Like a political, thematic, and stylistic negative, *The Wind Done Gone* inverts *Gone With the Wind*’s portrait of race relations of the place and era.

Given this stark contrast, I would go further than Judge Birch in stressing the transformative nature of Randall’s book.

**Questions:**

1.) What does this case add to the definition and explanation of the relative roles of “parody,” “satire,” “commentary” and “transformation” in fair use?

2.) You are the lawyer for the Mitchell Estate, appealing to the Supreme Court. You need to convince the Justices that this decision puts us on a disastrous path. You realize that pitching your case with the soundbite “contemporary African American novelists should be forbidden from parodying the iconic novel romanticizing the slaveholding South” might not be a winning strategy. Thus you have to show convincingly how this case opens the door to a set of activities that the Justices would view as obviously undesirable. Rehearse your parade of horribles. Grease your slippery slope. Open your floodgates of litigation. Be prepared to show your work (and your mixed metaphors) in class.

3.) Note the court’s acknowledgment of the commercial nature of Randall’s work. “Randall did not choose to publish her work of fiction on the internet free to all the world to read; rather, she chose a method of publication designed to generate economic profit.” In the past, anyone who wished to reach a wide audience—which one might do for distinctly “noncommercial reasons”—might have had to resort to a commercial publishing platform. Does the availability of the internet as a method of free distribution change this calculus, making the person who chooses a commercial publisher seem more focused on profit?

4.) In a portion of the *SunTrust* opinion that was not included above, Judge Birch says in a footnote: “I believe that fair use should be considered an affirmative right under the 1976 Act, rather than merely an affirmative defense, as it is defined in the Act as a use that is not a violation of copyright. However, fair use is commonly referred to as an affirmative defense, and, as we are bound by Supreme Court precedent, we will apply it as such. Nevertheless, the fact that the fair use right must be procedurally asserted as an affirmative defense does not detract from its constitutional significance as a guarantor to access and use for First Amendment purposes” (emphasis in original). What difference does it make if fair use is considered an affirmative right rather than merely a defense to copyright
infringement? Judge Birch says that fair use is “defined in the [Copyright] Act as a use that is not a violation of copyright.” Look at the language in sections 106 and 107. §106 begins “Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following...” §107 is titled “Limitations on exclusive rights: Fair use” and begins “Notwithstanding the provisions of section[] 106 . . . the fair use of a copyrighted work . . . is not an infringement of copyright.” Does any of this language support Judge Birch’s conclusion? Do you agree with him?

**PROBLEM 13-2**

You represent *The New York Times*. One of its reporters has just found a diary apparently belonging to Special Prosecutor Jonathan Edwards. Edwards is well-known because his recent investigations actually led to the impeachment, but not the conviction, of the President on charges of perjury and obstruction of justice. The prosecution was highly controversial and—in an unusual step—Edwards also released the full text of “the Edwards Report” online, complete with all of the embarrassing details of the President’s relationship with a White House intern. Critics claimed he was trying to win a battle in the courts of public opinion that he would not win in Congress. Defenders praised him as operating in the noble tradition of whistle blowers who exposed presidential scandals such as Watergate.

In the diary, Edwards, in his famous and characteristically Biblical writing style, describes in apocalyptic and profanity-laden terms his envy of the President’s hair, wife and status, and his distaste for the President’s morals, and repeats many times his belief that “extremity in the pursuit of scoundrels is no vice.” The tone is very different from the bland and regretful official prose of the Edwards Report. *The New York Times* reporter has planned an article, accompanied by a two page special pull-out, reproducing several thousand words of the diary verbatim in small print (in the style of the Unabomber manifesto) just to, as he says, “give the readers a true sense of his tone that they just cannot get any other way. It is the only way to show the reader the truth while freeing us from the claim that *The Times* is being selective or biased in what it excerpted!” He wants your opinion on this course of action. Alternatively, the reporter has planned an article which intersperses the wording of the Edwards Report sent to Congress with the profane fulminations of Edwards’ diary—to ludicrous effect, it has to be said. Edwards’ lawyers will move for an injunction to prevent publication. The reporter wants your advice on both courses of action.

What are your answers regarding the construction of the article, and possible fair use claims? How would your answers be different if the excerpts came from a purloined copy of Edwards’ much-anticipated forthcoming autobiography, “Bill” of Attainder? In either case, would an injunction against publication have to meet certain First Amendment standards to avoid being a prior restraint of speech?
4.) Fair Use Meets Technology

**Sega Enterprises Ltd. v. Accolade, Inc.**  
977 F.2d 1510 (9th Cir. 1992)

REINHARDT, Circuit Judge.

This case presents several difficult questions of first impression involving our copyright and trademark laws. We are asked to determine, first, whether the Copyright Act permits persons who are neither copyright holders nor licensees to disassemble a copyrighted computer program in order to gain an understanding of the unprotected functional elements of the program. In light of the public policies underlying the Act, we conclude that, when the person seeking the understanding has a legitimate reason for doing so and when no other means of access to the unprotected elements exists, such disassembly is as a matter of law a fair use of the copyrighted work. Second, we must decide the legal consequences under the Lanham Trademark Act of a computer manufacturer’s use of a security system that affords access to its computers to software cartridges that include an initialization code which triggers a screen display of the computer manufacturer’s trademark. The computer manufacturer also manufactures software cartridges; those cartridges all contain the initialization code. The question is whether the computer manufacturer may enjoin competing cartridge manufacturers from gaining access to its computers through the use of the code on the ground that such use will result in the display of a “false” trademark. Again, our holding is based on the public policies underlying the statute. We hold that when there is no other method of access to the computer that is known or readily available to rival cartridge manufacturers, the use of the initialization code by a rival does not violate the Act even though that use triggers a misleading trademark display. Accordingly, we reverse the district court’s grant of a preliminary injunction in favor of plaintiff-appellee Sega Enterprises, Ltd. on its claims of copyright and trademark infringement. We decline, however, to order that an injunction pendente lite issue precluding Sega from continuing to use its security system, even though such use may result in a certain amount of false labeling. We prefer to leave the decision on that question to the district court initially.

I. Background

Plaintiff-appellee Sega Enterprises, Ltd. (“Sega”), a Japanese corporation, and its subsidiary, Sega of America, develop and market video entertainment systems, including the “Genesis” console (distributed in Asia under the name “Mega-Drive”) and video game cartridges. Defendant-appellant Accolade, Inc., is an independent developer, manufacturer, and marketer of computer entertainment software, including game cartridges that are compatible with the Genesis console, as well as game cartridges that are compatible with other computer systems.

Sega licenses its copyrighted computer code and its “SEGA” trademark to a number of independent developers of computer game software. Those licensees develop and sell Genesis-compatible video games in competition with Sega. Accolade is not and never has been a licensee of Sega. Prior to rendering its own games compatible with the Genesis console, Accolade explored the possibility of entering into a licensing agreement with Sega, but abandoned the effort because the agreement would have required that Sega be the exclusive manufacturer of all games produced by Accolade.
Accolade used a two-step process to render its video games compatible with the Genesis console. First, it “reverse engineered” Sega’s video game programs in order to discover the requirements for compatibility with the Genesis console. As part of the reverse engineering process, Accolade transformed the machine-readable object code contained in commercially available copies of Sega’s game cartridges into human-readable source code using a process called “disassembly” or “decompilation”. Accolade purchased a Genesis console and three Sega game cartridges, wired a decompiler into the console circuitry, and generated printouts of the resulting source code. Accolade engineers studied and annotated the printouts in order to identify areas of commonality among the three game programs. They then loaded the disassembled code back into a computer, and experimented to discover the interface specifications for the Genesis console by modifying the programs and studying the results. At the end of the reverse engineering process, Accolade created a development manual that incorporated the information it had discovered about the requirements for a Genesis-compatible game. According to the Accolade employees who created the manual, the manual contained only functional descriptions of the interface requirements and did not include any of Sega’s code.

III. Copyright Issues

Accolade raises four arguments in support of its position that disassembly of the object code in a copyrighted computer program does not constitute copyright infringement. First, it maintains that intermediate copying does not infringe the exclusive rights granted to copyright owners in section 106 of the Copyright Act unless the end product of the copying is substantially similar to the copyrighted work. Second, it argues that disassembly of object code in order to gain an understanding of the ideas and functional concepts embodied in the code is lawful under section 102(b) of the Act, which exempts ideas and functional concepts from copyright protection. Third, it suggests that disassembly is authorized by section 117 of the Act, which entitles the lawful owner of a copy of a computer program to load the program into a computer. Finally, Accolade contends that disassembly of object code in order to gain an understanding of the ideas and functional concepts embodied in the code is a fair use that is privileged by section 107 of the Act.

Neither the language of the Act nor the law of this circuit supports Accolade’s first three arguments. Accolade’s fourth argument, however, has merit. Although the question is fairly debatable, we conclude based on the policies underlying the Copyright Act that disassembly of copyrighted object code is, as a matter of law, a fair use of the copyrighted work if such disassembly provides the only means of access to those elements of the code that are not protected by copyright and the copier has a legitimate reason for seeking such access. Accordingly, we hold that Sega has failed to demonstrate a likelihood of success on the merits of its copyright claim. Because on the record before us the

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2 Computer programs are written in specialized alphanumeric languages, or “source code”. In order to operate a computer, source code must be translated into computer readable form, or “object code”. Object code uses only two symbols, 0 and 1, in combinations which represent the alphanumeric characters of the source code. A program written in source code is translated into object code using a computer program called an “assembler” or “compiler”, and then imprinted onto a silicon chip for commercial distribution. Devices called “disassemblers” or “decompilers” can reverse this process by “reading” the electronic signals for “0” and “1” that are produced while the program is being run, storing the resulting object code in computer memory, and translating the object code into source code. Both assembly and disassembly devices are commercially available, and both types of devices are widely used within the software industry.
hardships do not tip sharply (or at all) in Sega’s favor, the preliminary injunction issued in its favor must be dissolved, at least with respect to that claim.

A. Intermediate Copying

We have previously held that the Copyright Act does not distinguish between unauthorized copies of a copyrighted work on the basis of what stage of the alleged infringer’s work the unauthorized copies represent. *Walker v. University Books* (9th Cir. 1979) (“[T]he fact that an allegedly infringing copy of a protected work may itself be only an inchoate representation of some final product to be marketed commercially does not in itself negate the possibility of infringement.”). Our holding in *Walker* was based on the plain language of the Act. Section 106 grants to the copyright owner the exclusive rights “to reproduce the work in copies”, “to prepare derivative works based upon the copyrighted work”, and to authorize the preparation of copies and derivative works. 17 U.S.C. § 106(1)–(2). Section 501 provides that “[a]nyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118 . . . is an infringer of the copyright.” § 501(a). On its face, that language unambiguously encompasses and proscribe “intermediate copying”.

In order to constitute a “copy” for purposes of the Act, the allegedly infringing work must be fixed in some tangible form, “from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” 17 U.S.C. § 101. The computer file generated by the disassembly program, the printouts of the disassembled code, and the computer files containing Accolade’s modifications of the code that were generated during the reverse engineering process all satisfy that requirement. The intermediate copying done by Accolade therefore falls squarely within the category of acts that are prohibited by the statute. . . .

. . . [T]he question whether intermediate copying of computer object code infringes the exclusive rights granted to the copyright owner in section 106 of the Copyright Act is a question of first impression. In light of the unambiguous language of the Act, we decline to depart from the rule set forth in *Walker* for copyrighted works generally. Accordingly, we hold that intermediate copying of computer object code may infringe the exclusive rights granted to the copyright owner in section 106 of the Copyright Act regardless of whether the end product of the copying also infringes those rights. If intermediate copying is permissible under the Act, authority for such copying must be found in one of the statutory provisions to which the rights granted in section 106 are subject.

B. The Idea/Expression Distinction

Accolade next contends that disassembly of computer object code does not violate the Copyright Act because it is necessary in order to gain access to the ideas and functional concepts embodied in the code, which are not protected by copyright. 17 U.S.C. § 102(b). Because humans cannot comprehend object code, it reasons, disassembly of a commercially available computer program into human-readable form should not be considered an infringement of the owner’s copyright. Insofar as Accolade suggests that disassembly of object code is lawful *per se*, it seeks to overturn settled law.

Accolade’s argument regarding access to ideas is, in essence, an argument that object code is not eligible for the full range of copyright protection. Although some scholarly authority supports that view, we have previously rejected it based on the language and legislative history of the Copyright Act. . . .

. . . Nor does the Act require that a work be directly accessible to humans in order to
be eligible for copyright protection. Rather, it extends protection to all original works “which . . . can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” 17 U.S.C. § 102(a). The statutory language, read together with the CONTU report [the report from the National Commission on New Technological Uses of Copyrighted Works (CONTU) that led to the Copyright Act’s extension of copyright protection to computer programs], leads inexorably to the conclusion that the copyright in a computer program extends to the object code version of the program.

Nor does a refusal to recognize a *per se* right to disassemble object code lead to an absurd result. The ideas and functional concepts underlying many types of computer programs, including word processing programs, spreadsheets, and video game displays, are readily discernible without the need for disassembly, because the operation of such programs is visible on the computer screen. The need to disassemble object code arises, if at all, only in connection with operations systems, system interface procedures, and other programs that are not visible to the user when operating—and then only when no alternative means of gaining an understanding of those ideas and functional concepts exists. In our view, consideration of the unique nature of computer object code thus is more appropriate as part of the case-by-case, equitable “fair use” analysis authorized by section 107 of the Act. Accordingly, we reject Accolade’s second argument.

**D. Fair Use**

Accolade contends, finally, that its disassembly of copyrighted object code as a necessary step in its examination of the unprotected ideas and functional concepts embodied in the code is a fair use that is privileged by section 107 of the Act. Because, in the case before us, disassembly is the only means of gaining access to those unprotected aspects of the program, and because Accolade has a legitimate interest in gaining such access (in order to determine how to make its cartridges compatible with the Genesis console), we agree with Accolade. Where there is good reason for studying or examining the unprotected aspects of a copyrighted computer program, disassembly for purposes of such study or examination constitutes a fair use.

Section 107 lists the factors to be considered in determining whether a particular use is a fair one. The statutory factors are not exclusive. Rather, the doctrine of fair use is in essence “an equitable rule of reason.” *Harper & Row, Publishers, Inc. v. Nation Enterprises* (1985). Fair use is a mixed question of law and fact. “Where the district court has found facts sufficient to evaluate each of the statutory factors,” an appellate court may resolve the fair use question as a matter of law.

In determining that Accolade’s disassembly of Sega’s object code did not constitute a fair use, the district court treated the first and fourth statutory factors as dispositive, and ignored the second factor entirely. Given the nature and characteristics of Accolade’s direct use of the copied works, the ultimate use to which Accolade put the functional information it obtained, and the nature of the market for home video entertainment systems, we conclude that neither the first nor the fourth factor weighs in Sega’s favor. In fact, we conclude that both factors support Accolade’s fair use defense, as does the second factor, a factor which is important to the resolution of cases such as the one before us.

(a) With respect to the first statutory factor, we observe initially that the fact that copying is for a commercial purpose weighs against a finding of fair use. *Harper & Row*. However, the presumption of unfairness that arises in such cases can be rebutted by the characteristics of a particular commercial use. Further “[t]he commercial nature of a use is a matter of degree, not an absolute.” *Maxtone-Graham v. Burtchaell* (2d Cir. 1986).
Sega argues that because Accolade copied its object code in order to produce a competing product, the *Harper & Row* presumption applies and precludes a finding of fair use. That analysis is far too simple and ignores a number of important considerations. We must consider other aspects of “the purpose and character of the use” as well. As we have noted, the use at issue was an intermediate one only and thus any commercial “exploitation” was indirect or derivative.

The declarations of Accolade’s employees indicate, and the district court found, that Accolade copied Sega’s software solely in order to discover the functional requirements for compatibility with the Genesis console—aspects of Sega’s programs that are not protected by copyright. 17 U.S.C. § 102(b). With respect to the video game programs contained in Accolade’s game cartridges, there is no evidence in the record that Accolade sought to avoid performing its own creative work. Indeed, most of the games that Accolade released for use with the Genesis console were originally developed for other hardware systems. Moreover, with respect to the interface procedures for the Genesis console, Accolade did not seek to avoid paying a customarily charged fee for use of those procedures, nor did it simply copy Sega’s code; rather, it wrote its own procedures based on what it had learned through disassembly. Taken together, these facts indicate that although Accolade’s ultimate purpose was the release of Genesis-compatible games for sale, its direct purpose in copying Sega’s code, and thus its direct use of the copyrighted material, was simply to study the functional requirements for Genesis compatibility so that it could modify existing games and make them usable with the Genesis console. Moreover, as we discuss below, no other method of studying those requirements was available to Accolade. On these facts, we conclude that Accolade copied Sega’s code for a legitimate, essentially non-exploitative purpose, and that the commercial aspect of its use can best be described as of minimal significance.

We further note that we are free to consider the public benefit resulting from a particular use notwithstanding the fact that the alleged infringer may gain commercially. Public benefit need not be direct or tangible, but may arise because the challenged use serves a public interest. In the case before us, Accolade’s identification of the functional requirements for Genesis compatibility has led to an increase in the number of independently designed video game programs offered for use with the Genesis console. It is precisely this growth in creative expression, based on the dissemination of other creative works and the unprotected ideas contained in those works, that the Copyright Act was intended to promote. The fact that Genesis-compatible video games are not scholarly works, but works offered for sale on the market, does not alter our judgment in this regard. We conclude that given the purpose and character of Accolade’s use of Sega’s video game programs, the presumption of unfairness has been overcome and the first statutory factor weighs in favor of Accolade.

(b) As applied, the fourth statutory factor, effect on the potential market for the copyrighted work, bears a close relationship to the “purpose and character” inquiry in that it, too, accommodates the distinction between the copying of works in order to make independent creative expression possible and the simple exploitation of another’s creative efforts. We must, of course, inquire whether, “if [the challenged use] should become widespread, it would adversely affect the potential market for the copyrighted work,” *Sony Corp. v. Universal City Studios* (1984), by diminishing potential sales, interfering with marketability, or usurping the market. If the copying resulted in the latter effect, all other considerations might be irrelevant. The *Harper & Row* Court found a use that effectively usurped the market for the copyrighted work by supplanting that work to be dispositive.
However, the same consequences do not and could not attach to a use which simply enables the copier to enter the market for works of the same type as the copied work.

Unlike the defendant in *Harper & Row*, which printed excerpts from President Ford’s memoirs verbatim with the stated purpose of “scooping” a *Time* magazine review of the book, Accolade did not attempt to “scoop” Sega’s release of any particular game or games, but sought only to become a legitimate competitor in the field of Genesis-compatible video games. Within that market, it is the characteristics of the game program as experienced by the user that determine the program’s commercial success. As we have noted, there is nothing in the record that suggests that Accolade copied any of those elements.

By facilitating the entry of a new competitor, the first lawful one that is not a Sega licensee, Accolade’s disassembly of Sega’s software undoubtedly “affected” the market for Genesis-compatible games in an indirect fashion. We note, however, that while no consumer except the most avid devotee of President Ford’s regime might be expected to buy more than one version of the President’s memoirs, video game users typically purchase more than one game. There is no basis for assuming that Accolade’s “Ishido” has significantly affected the market for Sega’s “Altered Beast”, since a consumer might easily purchase both; nor does it seem unlikely that a consumer particularly interested in sports might purchase both Accolade’s “Mike Ditka Power Football” and Sega’s “Joe Montana Football”, particularly if the games are, as Accolade contends, not substantially similar. In any event, an attempt to monopolize the market by making it impossible for others to compete runs counter to the statutory purpose of promoting creative expression and cannot constitute a strong equitable basis for resisting the invocation of the fair use doctrine.

Thus, we conclude that the fourth statutory factor weighs in Accolade’s, not Sega’s, favor, notwithstanding the minor economic loss Sega may suffer.

(e) The second statutory factor, the nature of the copyrighted work, reflects the fact that not all copyrighted works are entitled to the same level of protection. The protection established by the Copyright Act for original works of authorship does not extend to the ideas underlying a work or to the functional or factual aspects of the work. 17 U.S.C. § 102(b). To the extent that a work is functional or factual, it may be copied, *Baker v. Selden* (1879), as may those expressive elements of the work that “must necessarily be used as incident to” expression of the underlying ideas, functional concepts, or facts. Works of fiction receive greater protection than works that have strong factual elements, such as historical or biographical works, or works that have strong functional elements, such as accounting textbooks, *Baker*. Works that are merely compilations of fact are copyrightable, but the copyright in such a work is “thin.”

Computer programs pose unique problems for the application of the “idea/ expression distinction” that determines the extent of copyright protection. To the extent that there are many possible ways of accomplishing a given task or fulfilling a particular market demand, the programmer’s choice of program structure and design may be highly creative and idiosyncratic. However, computer programs are, in essence, utilitarian
articles—articles that accomplish tasks. As such, they contain many logical, structural, and visual display elements that are dictated by the function to be performed, by considerations of efficiency, or by external factors such as compatibility requirements and industry demands. Computer Assoc. Int'l, Inc. v. Altai, Inc. (2d Cir. 1992) (“CAI”). In some circumstances, even the exact set of commands used by the programmer is deemed functional rather than creative for purposes of copyright. “[W]hen specific instructions, even though previously copyrighted, are the only and essential means of accomplishing a given task, their later use by another will not amount to infringement.” CONTU Report. 7

Because of the hybrid nature of computer programs, there is no settled standard for identifying what is protected expression and what is unprotected idea in a case involving the alleged infringement of a copyright in computer software. We are in wholehearted agreement with the Second Circuit’s recent observation that “[t]hus far, many of the decisions in this area reflect the courts’ attempt to fit the proverbial square peg in a round hole.” CAI. In 1986, the Third Circuit attempted to resolve the dilemma by suggesting that the idea or function of a computer program is the idea of the program as a whole, and “everything that is not necessary to that purpose or function [is] part of the expression of that idea.” Whelan Assoc., Inc. v. Jaslow Dental Laboratory, Inc. (3d Cir. 1986) (emphasis omitted). The Whelan rule, however, has been widely—and soundly—criticized as simplistic and overbroad. See CAI (citing cases, treatises, and articles). In reality, “a computer program’s ultimate function or purpose is the composite result of interacting subroutines. Since each subroutine is itself a program, and thus, may be said to have its own ‘idea,’ Whelan’s general formulation . . . is descriptively inadequate.” For example, the computer program at issue in the case before us, a video game program, contains at least two such subroutines—the subroutine that allows the user to interact with the video game and the subroutine that allows the game cartridge to interact with the console. Under a test that breaks down a computer program into its component subroutines and sub-subroutines and then identifies the idea or core functional element of each, such as the test recently adopted by the Second Circuit in CAI, many aspects of the program are not protected by copyright. In our view, in light of the essentially utilitarian nature of computer programs, the Second Circuit’s approach is an appropriate one.

Sega argues that even if many elements of its video game programs are properly characterized as functional and therefore not protected by copyright, Accolade copied protected expression. Sega is correct. The record makes clear that disassembly is wholesale copying. Because computer programs are also unique among copyrighted works in the form in which they are distributed for public use, however, Sega’s observation does not bring us much closer to a resolution of the dispute.

The unprotected aspects of most functional works are readily accessible to the human eye. The systems described in accounting textbooks or the basic structural concepts embodied in architectural plans, to give two examples, can be easily copied.

7 We therefore reject Sega’s belated suggestion that Accolade’s incorporation of the code which “unlocks” the Genesis III console is not a fair use. Our decision on this point is entirely consistent with Atari v. Nintendo (Fed. Cir. 1992). Although Nintendo extended copyright protection to Nintendo’s 10NES security system, that system consisted of an original program which generates an arbitrary data stream “key” which unlocks the NES console. Creativity and originality went into the design of that program. Moreover, the federal circuit concluded that there is a “multitude of different ways to generate a data stream which unlocks the NES console.” The circumstances are clearly different here. Sega’s key appears to be functional. It consists merely of 20 bytes of initialization code plus the letters S-E-G-A. There is no showing that there is a multitude of different ways to unlock the Genesis III console. Finally, we note that Sega’s security code is of such de minimis length that it is probably unprotected under the words and short phrases doctrine.
without also copying any of the protected, expressive aspects of the original works. Computer programs, however, are typically distributed for public use in object code form, embedded in a silicon chip or on a floppy disk. For that reason, humans often cannot gain access to the unprotected ideas and functional concepts contained in object code without disassembling that code—i.e., making copies.  

Sega argues that the record does not establish that disassembly of its object code is the only available method for gaining access to the interface specifications for the Genesis console, and the district court agreed. An independent examination of the record reveals that Sega misstates its contents, and demonstrates that the district court committed clear error in this respect.  

First, the record clearly establishes that humans cannot read object code. Sega makes much of Mike Lorenzen’s statement that a reverse engineer can work directly from the zeroes and ones of object code but “[i]t’s not as fun.” In full, Lorenzen’s statements establish only that the use of an electronic decompiler is not absolutely necessary. Trained programmers can disassemble object code by hand. Because even a trained programmer cannot possibly remember the millions of zeroes and ones that make up a program, however, he must make a written or computerized copy of the disassembled code in order to keep track of his work. The relevant fact for purposes of Sega’s copyright infringement claim and Accolade’s fair use defense is that translation of a program from object code into source code cannot be accomplished without making copies of the code.  

Second, the record provides no support for a conclusion that a viable alternative to disassembly exists. . . .  

In summary, the record clearly establishes that disassembly of the object code in Sega’s video game cartridges was necessary in order to understand the functional requirements for Genesis compatibility. The interface procedures for the Genesis console are distributed for public use only in object code form, and are not visible to the user during operation of the video game program. Because object code cannot be read by humans, it must be disassembled, either by hand or by machine. Disassembly of object code necessarily entails copying. Those facts dictate our analysis of the second statutory fair use factor. If disassembly of copyrighted object code is per se an unfair use, the owner of the copyright gains a de facto monopoly over the functional aspects of his work—aspects that were expressly denied copyright protection by Congress. In order to enjoy a lawful monopoly over the idea or functional principle underlying a work, the creator of the work must satisfy the more stringent standards imposed by the patent laws. Bonito Boats, Inc. v. Thunder Craft Boats, Inc. (1989). Sega does not hold a patent on the Genesis console.  

Because Sega’s video game programs contain unprotected aspects that cannot be examined without copying, we afford them a lower degree of protection than more traditional literary works. . . .  

(d) As to the third statutory factor, Accolade disassembled entire programs written by Sega. Accordingly, the third factor weighs against Accolade. The fact that an entire work was copied does not, however, preclude a finding a fair use. Sony Corp. In fact, where the ultimate (as opposed to direct) use is as limited as it was here, the factor is of very little weight.

8 We do not intend to suggest that disassembly is always the only available means of access to those aspects of a computer program that are unprotected by copyright. As we noted in Part III(B), supra, in many cases the operation of a program is directly reflected on the screen display and therefore visible to the human eye. In those cases, it is likely that a reverse engineer would not need to examine the code in order to understand what the program does.
In summary, careful analysis of the purpose and characteristics of Accolade’s use of Sega’s video game programs, the nature of the computer programs involved, and the nature of the market for video game cartridges yields the conclusion that the first, second, and fourth statutory fair use factors weigh in favor of Accolade, while only the third weighs in favor of Sega, and even then only slightly. Accordingly, Accolade clearly has by far the better case on the fair use issue.

We are not unaware of the fact that to those used to considering copyright issues in more traditional contexts, our result may seem incongruous at first blush. To oversimplify, the record establishes that Accolade, a commercial competitor of Sega, engaged in wholesale copying of Sega’s copyrighted code as a preliminary step in the development of a competing product. However, the key to this case is that we are dealing with computer software, a relatively unexplored area in the world of copyright law. We must avoid the temptation of trying to force “the proverbial square peg in[to] a round hole.”

In determining whether a challenged use of copyrighted material is fair, a court must keep in mind the public policy underlying the Copyright Act. “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.” *Sony Corp.* When technological change has rendered an aspect or application of the Copyright Act ambiguous, “the Copyright Act must be construed in light of this basic purpose.” As discussed above, the fact that computer programs are distributed for public use in object code form often precludes public access to the ideas and functional concepts contained in those programs, and thus confers on the copyright owner a *de facto* monopoly over those ideas and functional concepts. That result defeats the fundamental purpose of the Copyright Act—to encourage the production of original works by protecting the expressive elements of those works while leaving the ideas, facts, and functional concepts in the public domain for others to build on.

Sega argues that the considerable time, effort, and money that went into development of the Genesis and Genesis-compatible video games militate against a finding of fair use. Borrowing from antitrust principles, Sega attempts to label Accolade a “free rider” on its product development efforts. In *Feist Publications*, however, the Court unequivocally rejected the “sweat of the brow” rationale for copyright protection. Under the Copyright Act, if a work is largely functional, it receives only weak protection. “This result is neither unfair nor unfortunate. It is the means by which copyright advances the progress of science and art.” *Feist* (“In truth, “[i]t is just such wasted effort that the proscription against the copyright of ideas and facts . . . [is] designed to prevent.””) Here, while the work may not be largely functional, it incorporates functional elements which do not merit protection. The equitable considerations involved weigh on the side of public access. Accordingly, we reject Sega’s argument.

We conclude that where disassembly is the only way to gain access to the ideas and functional elements embodied in a copyrighted computer program and where there is a legitimate reason for seeking such access, disassembly is a fair use of the copyrighted work, as a matter of law. Our conclusion does not, of course, insulate Accolade from a claim of copyright infringement with respect to its finished products. Sega has reserved the right to raise such a claim, and it may do so on remand. . . .

Questions:

1. *Sega* continues the unit that focuses on copyright’s reaction to software. The plaintiff in *Sega* might (and did) say something like this: “Fair use asks us to look at the nature of
the activity, the nature of the work, the amount of copying and the effect on the market for the original work. This is a blatantly commercial copying of the entirety of a copyrighted work that may well have a severe negative impact on the market. Every factor clearly favors us or, at best, is neutral.” Why did the defendant win?

2.) What is the relevant market in a fair use analysis? Should we focus on Sega’s market or the market for the copyrighted work at issue? Are they the same?

3.) As in Lotus (but also in Oracle) the “stakes” here are interoperability and lock-in. The court says “where disassembly is the only way to gain access to the ideas and functional elements embodied in a copyrighted computer program and where there is a legitimate reason for seeking such access, disassembly is a fair use of the copyrighted work, as a matter of law.” The court says we should not focus on the form of what is happening (copying!) but on the substance (reaching unprotectable elements!). Do you agree? In terms of its goals, how would you compare this ruling to other doctrines such as nominative use or genericide in trademark, or merger in copyright law, that override or limit the intellectual property right at issue in order to protect competition or prevent copyright holders from leveraging their rights over protectable material into control over unprotectable material?

4.) This case involves a complementary market—a platform (the game console) and an ecosystem of programs (the game cartridges). Similar markets can be found in phones and the apps that run on them, or particular MP3 players and the proprietary music stores that offer content for that player. Does this kind of market have any special significance for the fair use analysis? What is the best argument of the entity that wants to keep that ecosystem closed? The best argument of the entity that wants to open it? How should copyright law be involved in those arguments?

PROBLEM 13-3

You are the chief counsel for a prominent member of the Senate Judiciary Committee. She is deeply interested in the effect that copyright law has on technology. She has asked you to consider the cumulative effect of three cases: Lotus v. Borland, Computer Associates v. Altai, and Sega v. Accolade. First, she wants you to describe exactly what the courts did in each case—which doctrines of copyright law were involved. Second, she wants to know what policies or goals the courts were pursuing. Third, as someone who is expected to vote on the confirmation of Federal judges, she wants to know whether you think the judges in these cases showed fidelity to the judicial role. Finally, she wants to know whether the decision in Sega should be overturned, left as it is, or statutorily codified in section 107. What are your answers to these questions?

Perfect 10 v. Google

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

IKUTA, Circuit Judge.

In this appeal, we consider a copyright owner’s efforts to stop an Internet search
engine from facilitating access to infringing images. Perfect 10, Inc. sued Google Inc., for infringing Perfect 10’s copyrighted photographs of nude models, among other claims. . . . The district court preliminarily enjoined Google from creating and publicly displaying thumbnail versions of Perfect 10’s images, but did not enjoin Google from linking to third-party websites that display infringing full-size versions of Perfect 10’s images. . . .

I
Background

. . . Google operates a search engine, a software program that automatically accesses thousands of websites (collections of webpages) and indexes them within a database stored on Google’s computers. When a Google user accesses the Google website and types in a search query, Google’s software searches its database for websites responsive to that search query. Google then sends relevant information from its index of websites to the user’s computer. Google’s search engines can provide results in the form of text, images, or videos.

The Google search engine that provides responses in the form of images is called “Google Image Search.” In response to a search query, Google Image Search identifies text in its database responsive to the query and then communicates to users the images associated with the relevant text. Google’s software cannot recognize and index the images themselves. Google Image Search provides search results as a webpage of small images called “thumbnails,” which are stored in Google’s servers. The thumbnail images are reduced, lower-resolution versions of full-sized images stored on third-party computers.

When a user clicks on a thumbnail image, the user’s browser program interprets HTML instructions on Google’s webpage. These HTML instructions direct the user’s browser to cause a rectangular area (a “window”) to appear on the user’s computer screen. The window has two separate areas of information. The browser fills the top section of the screen with information from the Google webpage, including the thumbnail image and text. The HTML instructions also give the user’s browser the address of the website publisher’s computer that stores the full-size version of the thumbnail. By following the HTML instructions to access the third-party webpage, the user’s browser connects to the website publisher’s computer, downloads the full-size image, and makes the image appear at the bottom of the window on the user’s screen. Google does not store the images that fill this lower part of the window and does not communicate the images to the user; Google simply provides HTML instructions directing a user’s browser to access a third-party website. However, the top part of the window (containing the information from the Google webpage) appears to frame and comment on the bottom part of the window. Thus, the user’s window appears to be filled with a single integrated presentation of the full-size image, but it is actually an image from a third-party website framed by information from Google’s website. The process by which the webpage directs a user’s browser to incorporate content from different computers into a single window is referred to as “in-line linking.” The term “framing” refers to the process by which information from one computer appears to frame and annotate the in-line linked content from another computer. . . .

In addition to its search engine operations, Google generates revenue through a business program called “AdSense.” Under this program, the owner of a website can register with Google to become an AdSense “partner.” The website owner then places HTML instructions on its webpages that signal Google’s server to place advertising on the webpages that is relevant to the webpages’ content. Google’s computer program
selects the advertising automatically by means of an algorithm. AdSense participants agree to share the revenues that flow from such advertising with Google.

Perfect 10 markets and sells copyrighted images of nude models. Among other enterprises, it operates a subscription website on the Internet. Subscribers pay a monthly fee to view Perfect 10 images in a “members’ area” of the site. Subscribers must use a password to log into the members’ area. Google does not include these password-protected images from the members’ area in Google’s index or database. Perfect 10 has also licensed Fonestarz Media Limited to sell and distribute Perfect 10’s reduced-size copyrighted images for download and use on cell phones.

Some website publishers republish Perfect 10’s images on the Internet without authorization. Once this occurs, Google’s search engine may automatically index the webpages containing these images and provide thumbnail versions of images in response to user inquiries. When a user clicks on the thumbnail image returned by Google’s search engine, the user’s browser accesses the third-party webpage and in-line links to the full-sized infringing image stored on the website publisher’s computer. This image appears, in its original context, on the lower portion of the window on the user’s computer screen framed by information from Google’s webpage.

Because Perfect 10 has the burden of showing a likelihood of success on the merits, the district court held that Perfect 10 also had the burden of demonstrating a likelihood of overcoming Google’s fair use defense under 17 U.S.C. § 107. This ruling was erroneous. At trial, the defendant in an infringement action bears the burden of proving fair use. See Campbell v. Acuff-Rose Music, Inc. (1994). Because “the burdens at the preliminary injunction stage track the burdens at trial,” once the moving party has carried its burden of showing a likelihood of success on the merits, the burden shifts to the nonmoving party to show a likelihood that its affirmative defense will succeed. Accordingly, once Perfect 10 has shown a likelihood of success on the merits, the burden shifts to Google to show a likelihood that its affirmative defenses will succeed.¹

III

Direct Infringement

A. Display Right

We have not previously addressed the question when a computer displays a copyrighted work for purposes of section 106(5). Section 106(5) states that a copyright owner has the exclusive right “to display the copyrighted work publicly.” The Copyright Act explains that “display” means “to show a copy of it, either directly or by means of a film, slide, television image, or any other device or process. . . .” 17 U.S.C. § 101. Section 101 defines “copies” as “material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” Finally, the Copyright Act provides that “[a] work is ‘fixed’ in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.”

¹ [Editor’s note. When the 9th Circuit first issued this opinion in May of 2007, it upheld the district court’s ruling that the plaintiff bears the burden at the preliminary injunction stage of demonstrating the likelihood of overcoming the defendant’s defense of fair use. In December, without comment, it withdrew that opinion and reissued it with the changed paragraph you find here.]
We must now apply these definitions to the facts of this case. A photographic image is a work that is “fixed’ in a tangible medium of expression,” for purposes of the Copyright Act, when embodied (i.e., stored) in a computer’s server (or hard disk, or other storage device). The image stored in the computer is the “copy” of the work for purposes of copyright law. The computer owner shows a copy “by means of a . . . device or process” when the owner uses the computer to fill the computer screen with the photographic image stored on that computer, or by communicating the stored image electronically to another person’s computer. 17 U.S.C. § 101. In sum, based on the plain language of the statute, a person displays a photographic image by using a computer to fill a computer screen with a copy of the photographic image fixed in the computer’s memory. There is no dispute that Google’s computers store thumbnail versions of Perfect 10’s copyrighted images and communicate copies of those thumbnails to Google’s users. Therefore, Perfect 10 has made a prima facie case that Google’s communication of its stored thumbnail images directly infringes Perfect 10’s display right.

Google does not, however, display a copy of full-size infringing photographic images for purposes of the Copyright Act when Google frames in-line linked images that appear on a user’s computer screen. Because Google’s computers do not store the photographic images, Google does not have a copy of the images for purposes of the Copyright Act. In other words, Google does not have any “material objects . . . in which a work is fixed . . . and from which the work can be perceived, reproduced, or otherwise communicated” and thus cannot communicate a copy. 17 U.S.C. § 101.

Instead of communicating a copy of the image, Google provides HTML instructions that direct a user’s browser to a website publisher’s computer that stores the full-size photographic image. Providing these HTML instructions is not equivalent to showing a copy. First, the HTML instructions are lines of text, not a photographic image. Second, HTML instructions do not themselves cause infringing images to appear on the user’s computer screen. The HTML merely gives the address of the image to the user’s browser. The browser then interacts with the computer that stores the infringing image. It is this interaction that causes an infringing image to appear on the user’s computer screen. Google may facilitate the user’s access to infringing images. However, such assistance raises only contributory liability issues, and does not constitute direct infringement of the copyright owner’s display rights.

C. Fair Use Defense

Google contends that its use of thumbnails is a fair use of the images and therefore does not constitute an infringement of Perfect 10’s copyright. See 17 U.S.C. § 107. The fair use defense permits the use of copyrighted works without the copyright owner’s consent under certain situations. The defense encourages and allows the development of new ideas that build on earlier ones, thus providing a necessary counterbalance to the copyright law’s goal of protecting creators’ work product. “From the infancy of copyright protection, some opportunity for fair use of copyrighted materials has been thought necessary to fulfill copyright’s very purpose . . . .” Campbell v. Acuff-Rose (1994).

In applying the fair use analysis in this case, we are guided by Kelly v. Arriba Soft Corp., which considered substantially the same use of copyrighted photographic images as is at issue here. In Kelly, a photographer brought a direct infringement claim against Arriba, the operator of an Internet search engine. The search engine provided thumbnail versions of the photographer’s images in response to search queries. We held that
Arriba’s use of thumbnail images was a fair use primarily based on the transformative nature of a search engine and its benefit to the public. We also concluded that Arriba’s use of the thumbnail images did not harm the photographer’s market for his image.

In this case, the district court determined that Google’s use of thumbnails was not a fair use and distinguished Kelly. We consider these distinctions in the context of the four-factor fair use analysis.

**Purpose and character of the use.** The first factor, 17 U.S.C. § 107(1), requires a court to consider “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.” The central purpose of this inquiry is to determine whether and to what extent the new work is “transformative.” Campbell. A work is “transformative” when the new work does not “merely supersed[es] the objects of the original creation” but rather “adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.” Conversely, if the new work “supersed[e] the use of the original,” the use is likely not a fair use. Harper & Row Publishers, Inc. v. Nation Enters. (1985).

As noted in Campbell, a “transformative work” is one that alters the original work “with new expression, meaning, or message.” Campbell. “A use is considered transformative only where a defendant changes a plaintiff’s copyrighted work or uses the plaintiff’s copyrighted work in a different context such that the plaintiff’s work is transformed into a new creation.” Wall Data Inc. v. L.A. County Sheriff’s Dep’t (9th Cir. 2006).

Google’s use of thumbnails is highly transformative. In Kelly, we concluded that Arriba’s use of thumbnails was transformative because “Arriba’s use of the images serve[d] a different function than Kelly’s use—improving access to information on the [I]nternet versus artistic expression.” Kelly. Although an image may have been created originally to serve an entertainment, aesthetic, or informative function, a search engine transforms the image into a pointer directing a user to a source of information. Just as a “parody has an obvious claim to transformative value” because “it can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one,” Campbell, a search engine provides social benefit by incorporating an original work into a new work, namely, an electronic reference tool. Indeed, a search engine may be more transformative than a parody because a search engine provides an entirely new use for the original work, while a parody typically has the same entertainment purpose as the original work. In other words, a search engine puts images “in a different context” so that they are “transformed into a new creation.” Wall Data.

The fact that Google incorporates the entire Perfect 10 image into the search engine results does not diminish the transformative nature of Google’s use. As the district court correctly noted, we determined in Kelly that even making an exact copy of a work may be transformative so long as the copy serves a different function than the original work. For example, the First Circuit has held that the republication of photos taken for a modeling portfolio in a newspaper was transformative because the photos served to inform, as well as entertain. See Nunez v. Caribbean Int’l News Corp. (1st Cir. 2000). In contrast, duplicating a church’s religious book for use by a different church was not transformative. See Worldwide Church of God v. Phila. Church of God, Inc. (9th Cir. 2000). Nor was a broadcaster’s simple retransmission of a radio broadcast over telephone lines transformative, where the original radio shows were given no “new expression, meaning, or message.” Infinity Broad. Corp. v. Kirkwood (2d Cir. 1998). Here, Google uses Perfect 10’s images in a new context to serve a different purpose.

The district court nevertheless determined that Google’s use of thumbnail images
was less transformative than Arriba’s use of thumbnails in *Kelly* because Google’s use of thumbnails superseded Perfect 10’s right to sell its reduced-size images for use on cell phones. The district court stated that “mobile users can download and save the thumbnails displayed by Google Image Search onto their phones,” and concluded “to the extent that users may choose to download free images to their phone rather than purchase [Perfect 10’s] reduced-size images, Google’s use supersedes [Perfect 10’s].”

Additionally, the district court determined that the commercial nature of Google’s use weighed against its transformative nature. Although *Kelly* held that the commercial use of the photographer’s images by Arriba’s search engine was less exploitative than typical commercial use, and thus weighed only slightly against a finding of fair use, the district court here distinguished *Kelly* on the ground that some website owners in the AdSense program had infringing Perfect 10 images on their websites. The district court held that because Google’s thumbnails “lead users to sites that directly benefit Google’s bottom line,” the AdSense program increased the commercial nature of Google’s use of Perfect 10’s images.

In conducting our case-specific analysis of fair use in light of the purposes of copyright, we must weigh Google’s superseding and commercial uses of thumbnail images against Google’s significant transformative use, as well as the extent to which Google’s search engine promotes the purposes of copyright and serves the interests of the public. Although the district court acknowledged the “truism that search engines such as Google Image Search provide great value to the public,” the district court did not expressly consider whether this value outweighed the significance of Google’s superseding use or the commercial nature of Google’s use. The Supreme Court, however, has directed us to be mindful of the extent to which a use promotes the purposes of copyright and serves the interests of the public.

We note that the superseding use in this case is not significant at present: the district court did not find that any downloads for mobile phone use had taken place. Moreover, while Google’s use of thumbnails to direct users to AdSense partners containing infringing content adds a commercial dimension that did not exist in *Kelly*, the district court did not determine that this commercial element was significant. The district court stated that Google’s AdSense programs as a whole contributed “$630 million, or 46% of total revenues” to Google’s bottom line, but noted that this figure did not “break down the much smaller amount attributable to websites that contain infringing content.”

We conclude that the significantly transformative nature of Google’s search engine, particularly in light of its public benefit, outweighs Google’s superseding and commercial uses of the thumbnails in this case. In reaching this conclusion, we note the importance of analyzing fair use flexibly in light of new circumstances. *Sony* (“[Section 107] endorses the purpose and general scope of the judicial doctrine of fair use, but there is no disposition to freeze the doctrine in the statute, especially during a period of rapid technological change.”) (quoting H.R.Rep. No. 94-1476, p. 65–66 (1976)). We are also mindful of the Supreme Court’s direction that “the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.” *Campbell*.

Accordingly, we disagree with the district court’s conclusion that because Google’s use of the thumbnails could supersede Perfect 10’s cell phone download use and because the use was more commercial than Arriba’s, this fair use factor weighed “slightly” in favor of Perfect 10. Instead, we conclude that the transformative nature of Google’s use is more significant than any incidental superseding use or the minor commercial aspects of Google’s search engine and website. Therefore, this factor weighs heavily in favor of Google.
The nature of the copyrighted work. With respect to the second factor, “the nature of the copyrighted work,” 17 U.S.C. § 107(2), our decision in Kelly is directly on point. There we held that the photographer’s images were “creative in nature” and thus “closer to the core of intended copyright protection than are more fact-based works.” Kelly. However, because the photos appeared on the Internet before Arriba used thumbnail versions in its search engine results, this factor weighed only slightly in favor of the photographer.

Here, the district court found that Perfect 10’s images were creative but also previously published. The right of first publication is “the author’s right to control the first public appearance of his expression.” Harper & Row. Because this right encompasses “the choices of when, where, and in what form first to publish a work,” an author exercises and exhausts this one-time right by publishing the work in any medium. Once Perfect 10 has exploited this commercially valuable right of first publication by putting its images on the Internet for paid subscribers, Perfect 10 is no longer entitled to the enhanced protection available for an unpublished work. Accordingly the district court did not err in holding that this factor weighed only slightly in favor of Perfect 10.

The amount and substantiality of the portion used. “The third factor asks whether the amount and substantiality of the portion used in relation to the copyrighted work as a whole . . . are reasonable in relation to the purpose of the copying.” Campbell. In Kelly, we held Arriba’s use of the entire photographic image was reasonable in light of the purpose of a search engine. Kelly. Specifically, we noted, “[i]t was necessary for Arriba to copy the entire image to allow users to recognize the image and decide whether to pursue more information about the image or the originating [website]. If Arriba only copied part of the image, it would be more difficult to identify it, thereby reducing the usefulness of the visual search engine.” Accordingly, we concluded that this factor did not weigh in favor of either party. Because the same analysis applies to Google’s use of Perfect 10’s image, the district court did not err in finding that this factor favored neither party.

Effect of use on the market. The fourth factor is “the effect of the use upon the potential market for or value of the copyrighted work.” 17 U.S.C. § 107(4). In Kelly, we concluded that Arriba’s use of the thumbnail images did not harm the market for the photographer’s full-size images. We reasoned that because thumbnails were not a substitute for the full-sized images, they did not harm the photographer’s ability to sell or license his full-sized images. The district court here followed Kelly’s reasoning, holding that Google’s use of thumbnails did not hurt Perfect 10’s market for full-size images. We agree.

Perfect 10 argues that the district court erred because the likelihood of market harm may be presumed if the intended use of an image is for commercial gain. However, this presumption does not arise when a work is transformative because “market substitution is at least less certain, and market harm may not be so readily inferred.” Campbell. As previously discussed, Google’s use of thumbnails for search engine purposes is highly transformative, and so market harm cannot be presumed.

Perfect 10 also has a market for reduced-size images, an issue not considered in Kelly. The district court held that “Google’s use of thumbnails likely does harm the potential market for the downloading of [Perfect 10’s] reduced-size images onto cell phones.” The district court reasoned that persons who can obtain Perfect 10 images free of charge from Google are less likely to pay for a download, and the availability of Google’s thumbnail images would harm Perfect 10’s market for cell phone downloads.

As we discussed above, the district court did not make a finding that Google users have downloaded thumbnail images for cell phone use. This potential harm to Perfect 10’s market remains hypothetical. We conclude that this factor favors neither party.
Having undertaken a case-specific analysis of all four factors, we now weigh these factors together “in light of the purposes of copyright.” *Campbell*. In this case, Google has put Perfect 10’s thumbnail images (along with millions of other thumbnail images) to a use fundamentally different than the use intended by Perfect 10. In doing so, Google has provided a significant benefit to the public. Weighing this significant transformative use against the unproven use of Google’s thumbnails for cell phone downloads, and considering the other fair use factors, all in light of the purpose of copyright, we conclude that Google’s use of Perfect 10’s thumbnails is a fair use. Because the district court here “found facts sufficient to evaluate each of the statutory factors . . . [we] need not remand for further factfinding.” *Harper & Row*. We conclude that Google is likely to succeed in proving its fair use defense and, accordingly, we vacate the preliminary injunction regarding Google’s use of thumbnail images.

• • • • • • • • • •

Remember the *Oracle v. Google* case from Chapter 11? As we mentioned, after that decision, a jury found that Google’s use of the Java APIs was protected by fair use. Oracle filed a motion for judgment as a matter of law, which was denied by the district court. In the decision below, the Federal Circuit reversed—taking the unusual step of overturning a jury verdict in fair use and holding that Google’s actions were not fair as a matter of law. The Federal Circuit is applying Ninth Circuit law, so it is bound by the *Sega* and *Perfect 10* cases you’ve just read. Is its reasoning consistent with those cases?

*Oracle v. Google*  
886 F.3d 1179 (Fed. Cir. 2018)

O’MALLEY, Circuit Judge.

I. BACKGROUND

. . . Although Oracle makes the Java platform freely available to programmers building applications (“apps”), it devised a licensing scheme to attract programmers while simultaneously commercializing the platform. In relevant part, Oracle charges a licensing fee to those who want to use the APIs in a competing platform or embed them in an electronic device. . . .

In 2005, Google acquired Android, Inc. as part of a plan to develop a software platform for mobile devices. . . . The jury heard evidence that Google wanted to move quickly to develop a platform that would attract Java developers to build apps for Android. The Android team had been working on creating its own APIs, but was unable to do so successfully. After negotiations between the parties reached an impasse, Google elected to “[d]o Java anyway and defend [its] decision, perhaps making enemies along the way.” It is undisputed that Google copied verbatim the declaring code of the 37 Java API packages—11,500 lines of Oracle’s copyrighted code. It also copied the SSO [“structure, sequence, and organization” of the APIs]. Google then wrote its own implementing code. . . . Although Google does not directly charge its users, Android has generated over $42 billion in revenue from advertising. Oracle explains that Android was “devastating” to its licensing strategy and that many of its customers switched to Android. . . .
II. ORACLE’S APPEAL

C. Applying the Fair Use Factors

Factor 1: The Purpose and Character of the Use

a. Commercial Use

First, the fact that Android is free of charge does not make Google’s use of the Java API packages noncommercial. Giving customers “for free something they would ordinarily have to buy” can constitute commercial use. A&M Records, Inc. v. Napster, Inc. (9th Cir. 2001). That Google might also have non-commercial motives is irrelevant as a matter of law. As the Supreme Court made clear when The Nation magazine published excerpts from Harper & Row’s book, partly for the purpose of providing the public newsworthy information, the question “is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.” Second, although Google maintains that its revenue flows from advertisements, not from Android, commerciality does not depend on how Google earns its money. Indeed, “[d]irect economic benefit is not required to demonstrate a commercial use.” Napster. We find, therefore, that, to the extent we must assume the jury found Google’s use of the API packages to be anything other than overwhelmingly commercial, that conclusion finds no substantial evidentiary support in the record. . . .

b. Transformative Use

Google’s use of the API packages is not transformative as a matter of law because: (1) it does not fit within the uses listed in the preamble to § 107; (2) the purpose of the API packages in Android is the same as the purpose of the packages in the Java platform; (3) Google made no alteration to the expressive content or message of the copyrighted material; and (4) smartphones were not a new context. . . . Google cites Sony Computer Entertainment, Inc. v. Connectix Corp. (9th Cir. 2000) [a case relying on Sega], for the proposition that the “Ninth Circuit has held other types of uses—specifically including uses of computer code—to be fair.” In Sony, the court found that the defendant’s reverse engineering and intermediate copying of Sony’s copyrighted software system “was a fair use for the purpose of gaining access to the unprotected elements of Sony’s software.” . . . Google argues that Android is transformative because Google selectively used the declarations and SSO of only 37 of the 166 Java SE API packages and wrote its own implementing code. But taking only select passages of a copyrighted work is, by itself, not transformative. . . . To hold otherwise would mean that verbatim copying could qualify as fair use as long as the plagiarist stops short of taking the entire work. . . . The relevant question is whether Google altered the “expressive content or message of the original work” that it copied—not whether it rewrote the portions it did not copy. . . . Here, however, there is no suggestion that the new implementing code somehow changed the expression or message of the declaring code. While Google’s use could have been transformative if it had copied the APIs for some other purpose—such as teaching how to design an API—merely copying the material and moving it from one platform to another without alteration is not transformative. . . .

The Ninth Circuit has stated that “[a] use is considered transformative only where a defendant changes a plaintiff’s copyrighted work or uses the plaintiff’s copyrighted work in a different context such that the plaintiff’s work is transformed into a new creation.” Perfect 10 v. Google (9th Cir. 2007). . . . It is clear, therefore, that the change in context alone was not dispositive in Perfect 10; rather, the change in context facilitated the change in purpose, which made the use transformative. . . . [W]here, as here, the copying is verbatim, for an identical function and purpose, and there are no changes to
the expressive content or message, a mere change in format (e.g., from desktop and laptop computers to smartphones and tablets) is insufficient as a matter of law to qualify as a transformative use. . . . [T]he highly commercial and non-transformative nature of the use strongly support the conclusion that the first factor weighs against a finding of fair use. . . .

**Factor 2: Nature of the Copyrighted Work**

Because the APIs were functional and not highly creative, the court concludes that factor two favors fair use, but it notes that allowing this one factor to dictate a conclusion of fair use in all cases involving copying of software could effectively negate Congress’s express declaration—continuing unchanged for some forty years—that software is copyrightable. . . .

**Factor 3: Amount and Substantiality of the Portion Used**

Google is correct that the Ninth Circuit has said that, “this factor will not weigh against an alleged infringer, even when he copies the whole work, if he takes no more than is necessary for his intended use.” But the Ninth Circuit has only said that is true where the intended use was a transformative one, because the “extent of permissible copying varies with the purpose and character of the use.” Here, we have found that Google’s use was not transformative and Google has conceded both that it could have written its own APIs and that the purpose of its copying was to make Android attractive to programmers. “Necessary” in the context of the cases upon which Google relies does not simply mean easier. . . .

Even assuming the jury accepted Google’s argument that it copied only a small portion of Java, no reasonable jury could conclude that what was copied was qualitatively insignificant, particularly when the material copied was important to the creation of the Android platform. Google conceded as much when it explained to the jury the importance of the APIs to the developers it wished to attract. . . . For these reasons, we find that the third factor is, at best, neutral in the fair use inquiry, and arguably weighs against such a finding. . . .

**Factor 4: Effect Upon the Potential Market**

Here, the district court concluded that the jury “could reasonably have found that use of the declaring lines of code (including their SSO) in Android caused no harm to the market for the copyrighted works, which were for desktop and laptop computers.” In reaching this conclusion, the district court noted that, before Android was released, Sun made all of the Java API packages available for free and open source under the name OpenJDK, subject only to the terms of a general public license. According to the district court, the jury could have concluded that “Android’s impact on the market for the copyrighted works paralleled what Sun already expected via its Open-JDK.” . . .

First, with respect to actual market harm, the evidence showed that Java SE had been used for years in mobile devices, including early smartphones, prior to Android’s release. Specifically, the jury heard testimony that Java SE was already in smartphones, including Blackberry, SavaJe, Danger, and Nokia. That Android competed directly with Java SE in the market for mobile devices is sufficient to undercut Google’s market harm arguments. With respect to tablets, the evidence showed that Oracle licensed Java SE for the Amazon Kindle. After Android’s release, however, Amazon was faced with two competing options—Java SE and Android—and selected Android. The jury also heard evidence that Amazon later used the fact that Android was free to negotiate a steep discount to use Java SE in its newer ereader. In other words, the record contained substantial evidence that Android was used as a substitute for Java SE and had a direct market impact. Given this evidence of actual market harm, no reasonable jury could have
concluded that there was no market harm to Oracle from Google’s copying. Even if there were a dispute about whether Oracle was licensing Java SE in smartphones at the time Android launched, moreover, “fair use focuses on potential, not just actual, market harm.” . . . Licensing Java SE for smartphones with increased processing capabilities was one such potential new market. And the fact that Oracle and Google engaged in lengthy licensing negotiations demonstrates that Oracle was attempting to license its work for mobile devices, including smartphones. Smartphones were, therefore, a “traditional, reasonable, or likely to be developed market.” . . . Even assuming a reasonable jury could have found no current market harm, the undisputed evidence showed, at a minimum, that Oracle intended to license Java SE in smartphones. . . . Because the law recognizes and protects a copyright owner’s right to enter a “potential market,” this fact alone is sufficient to establish market impact. . . . Accordingly, the fourth factor weighs heavily in favor of Oracle.

**Balancing the Four Factors**

. . . We conclude that allowing Google to commercially exploit Oracle’s work will not advance the purposes of copyright in this case. Although Google could have furthered copyright’s goals of promoting creative expression and innovation by developing its own APIs, or by licensing Oracle’s APIs for use in developing a new platform, it chose to copy Oracle’s creative efforts instead. There is nothing fair about taking a copyrighted work verbatim and using it for the same purpose and function as the original in a competing platform.

Even if we ignore the record evidence and assume that Oracle was not already licensing Java SE in the smartphone context, smartphones were undoubtedly a potential market. Android’s release effectively replaced Java SE as the supplier of Oracle’s copyrighted works and prevented Oracle from participating in developing markets. This superseding use is inherently unfair. . . . We do not conclude that a fair use defense could never be sustained in an action involving the copying of computer code. Indeed, the Ninth Circuit has made it clear that some such uses can be fair. See Sega. We hold that, given the facts relating to the copying at issue here—which differ materially from those at issue in . . . Sega—Google’s copying and use of this particular code was not fair as a matter of law. . . .

As you have seen, Google is involved in many intellectual property cases and, in particular, many cases involving fair use. It has sometimes been said that “Google pays Silicon Valley’s legal bills.” What does this phrase mean, and is the phenomenon a good or bad thing? Reflect on this question as you read the case below.

**Authors Guild, Inc. v. Google Inc.**

954 F. Supp. 2d 282 (S.D.N.Y. 2013)

CHIN, Circuit Judge.

[Editors’ Note: This case involves legal challenges to the “Google Books” program, which Google offers in order to facilitate search of printed books. Google Books, in turn, includes material that Google has acquired from two sources. 1.) its “Partner Program”—under which Google has permission from copyright holders to have access to a digital
version of their books—and 2.) the “Library Project.” The Library Project was the focus of this case. Google had scanned physical books from libraries with which it had agreements. Where the book was in the public domain, no copyright issue arose. Users could search, see, and download, the full text of these books. In the case of books that were still under copyright, Google made the decision not to seek the permission of the copyright holders in advance of the scan. (They argued that seeking permission would, by definition, exclude from Google Books the orphan works that make up a substantial portion of library holdings.) Instead, Google allowed copyright holders to “opt out,” by requesting that the work be removed. If the book was still under copyright—or seemed likely to be under copyright in that it had been published since 1923—Google would only show three “snippets” in response to a search query. As part of the deals made with the libraries that provided their collections to scan, Google also allowed the libraries to download a copy of each of the books scanned from their collections. Before the resumption of the case you are about to read, Google had attempted to negotiate with rightsholders a lengthy and elaborate Settlement—called “The Google Books Settlement.” The details are complex, but basically the Settlement would have split revenues between all of the parties, and even made available “orphan works,” escrowing the income earned. The settlement was eventually rejected by Judge Chin (who was then on the District Court) in part because the settlement would have bound parties not before the court. The lawsuit on fair use resumed. This is Judge Chin’s decision.

Since 2004, when it announced agreements with several major research libraries to digitally copy books in their collections, defendant Google Inc. (“Google”) has scanned more than twenty million books. It has delivered digital copies to participating libraries, created an electronic database of books, and made text available for online searching through the use of “snippets.” Many of the books scanned by Google, however, were under copyright, and Google did not obtain permission from the copyright holders for these usages of their copyrighted works. As a consequence, in 2005, plaintiffs brought this class action charging Google with copyright infringement. . . .

. . . Both in-print and out-of-print books are included, although the great majority are out-of-print. . . .

For books in “snippet view” . . . Google divides each page into eighths—each of which is a “snippet,” a verbatim excerpt. Each search generates three snippets, but by performing multiple searches using different search terms, a single user may view far more than three snippets, as different searches can return different snippets. . . .

Google takes security measures to prevent users from viewing a complete copy of a snippet-view book. For example, a user cannot cause the system to return different sets of snippets for the same search query; the position of each snippet is fixed within the page and does not “slide” around the search term; only the first responsive snippet available on any given page will be returned in response to a query; one of the snippets on each page is “black-listed,” meaning it will not be shown; and at least one out of ten entire pages in each book is black-listed. An “attacker” who tries to obtain an entire book by using a physical copy of the book to string together words appearing in successive passages would be able to obtain at best a patchwork of snippets that would be missing at least one snippet from every page and 10% of all pages. In addition, works with text organized in short “chunks,” such as dictionaries, cookbooks, and books of haiku, are excluded from snippet view. . . .

DISCUSSION

. . . Google has digitally reproduced millions of copyrighted books, including the
individual plaintiffs’ books, maintaining copies for itself on its servers and backup tapes. See 17 U.S.C. § 106(1) (prohibiting unauthorized reproduction). Google has made digital copies available for its Library Project partners to download. See 17 U.S.C. § 106(3) (prohibiting unauthorized distribution). Google has displayed snippets from the books to the public. See 17 U.S.C. § 106(5) (prohibiting unauthorized display). Google has done all of this, with respect to in-copyright books in the Library Project, without license or permission from the copyright owners. The sole issue now before the Court is whether Google’s use of the copyrighted works is “fair use” under the copyright laws. For the reasons set forth below, I conclude that it is.

A key consideration is whether, as part of the inquiry into the first factor, the use of the copyrighted work is “transformative,” that is, whether the new work merely “supersedes” or “supplants” the original creation, or whether it:

- 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.”

1. Purpose and Character of Use

The first factor is “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.” 17 U.S.C. § 107(1).

Google’s use of the copyrighted works is highly transformative. Google Books digitizes books and transforms expressive text into a comprehensive word index that helps readers, scholars, researchers, and others find books. Google Books has become an important tool for libraries and librarians and cite-checkers as it helps to identify and find books. The use of book text to facilitate search through the display of snippets is transformative. . . . Google Books thus uses words for a different purpose—it uses snippets of text to act as pointers directing users to a broad selection of books.

Similarly, Google Books is also transformative in the sense that it has transformed book text into data for purposes of substantive research, including data mining and text mining in new areas, thereby opening up new fields of research. Words in books are being used in a way they have not been used before. Google Books has created something new in the use of book text—the frequency of words and trends in their usage provide substantive information.

Google Books does not superecede or supplant books because it is not a tool to be used to read books. Instead, it “adds value to the original” and allows for “the creation of new information, new aesthetics, new insights and understandings.” Hence, the use is transformative.

It is true, of course, as plaintiffs argue, that Google is a for-profit entity and Google Books is largely a commercial enterprise. The fact that a use is commercial “tends to weigh against a finding of fair use.” On the other hand, fair use has been found even where a defendant benefitted commercially from the unlicensed use of copyrighted works. Here, Google does not sell the scans it has made of books for Google Books; it does not sell the snippets that it displays; and it does not run ads on the About the Book pages that contain snippets. It does not engage in the direct commercialization of copyrighted works. Google does, of course, benefit commercially in the sense that users are drawn to the Google websites by the ability to search Google Books. While this is a consideration to be acknowledged in weighing all the factors, even assuming Google’s principal motivation is profit, the fact is that Google Books serves several important educational purposes.
Accordingly, I conclude that the first factor strongly favors a finding of fair use.

2. Nature of Copyrighted Works

The second factor is “the nature of the copyrighted work.” Here, the works are books—all types of published books, fiction and non-fiction, in-print and out-of-print. While works of fiction are entitled to greater copyright protection, here the vast majority of the books in Google Books are non-fiction. Further, the books at issue are published and available to the public. These considerations favor a finding of fair use.

3. Amount and Substantiality of Portion Used

The third factor is “the amount and substantiality of the portion used in relation to the copyrighted work as a whole.” Google scans the full text of books—the entire books—and it copies verbatim expression. On the other hand, courts have held that copying the entirety of a work may still be fair use. Here, as one of the keys to Google Books is its offering of full-text search of books, full-work reproduction is critical to the functioning of Google Books. Significantly, Google limits the amount of text it displays in response to a search.

On balance, I conclude that the third factor weighs slightly against a finding of fair use.

4. Effect of Use Upon Potential Market or Value

The fourth factor is “the effect of the use upon the potential market for or value of the copyrighted work.” Here, plaintiffs argue that Google Books will negatively impact the market for books and that Google’s scans will serve as a “market replacement” for books. It also argues that users could put in multiple searches, varying slightly the search terms, to access an entire book.

Neither suggestion makes sense. Google does not sell its scans, and the scans do not replace the books. While partner libraries have the ability to download a scan of a book from their collections, they owned the books already—they provided the original book to Google to scan. Nor is it likely that someone would take the time and energy to input countless searches to try and get enough snippets to comprise an entire book. Not only is that not possible as certain pages and snippets are blacklisted, the individual
would have to have a copy of the book in his possession already to be able to piece the different snippets together in coherent fashion.

To the contrary, a reasonable factfinder could only find that Google Books enhances the sales of books to the benefit of copyright holders. An important factor in the success of an individual title is whether it is discovered—whether potential readers learn of its existence. Google Books provides a way for authors’ works to become noticed, much like traditional in-store book displays. Indeed, both librarians and their patrons use Google Books to identify books to purchase. Many authors have noted that online browsing in general and Google Books in particular helps readers find their work, thus increasing their audiences. Further, Google provides convenient links to booksellers to make it easy for a reader to order a book. In this day and age of on-line shopping, there can be no doubt but that Google Books improves books sales.

Hence, I conclude that the fourth factor weighs strongly in favor of a finding of fair use.

5. Overall Assessment

Finally, the various non-exclusive statutory factors are to be weighed together, along with any other relevant considerations, in light of the purposes of the copyright laws.

In my view, Google Books provides significant public benefits. It advances the progress of the arts and sciences, while maintaining respectful consideration for the rights of authors and other creative individuals, and without adversely impacting the rights of copyright holders. It has become an invaluable research tool that permits students, teachers, librarians, and others to more efficiently identify and locate books. It has given scholars the ability, for the first time, to conduct full-text searches of tens of millions of books. It preserves books, in particular out-of-print and old books that have been forgotten in the bowels of libraries, and it gives them new life. It facilitates access to books for print-disabled and remote or underserved populations. It generates new audiences and creates new sources of income for authors and publishers. Indeed, all society benefits.

Note: In October 2015, the Second Circuit affirmed Judge Chin’s decision. Authors Guild v. Google, 804 F.3d 202 (2d. Cir 2015). The opinion was written by Judge Leval, the author of “Toward a Fair Use Standard,” 103 Harv. L. Rev. 1105 (1990), the article that influenced the Supreme Court’s “transformative” use analysis in Campbell v. Acuff-Rose. Judge Leval made clear that “while authors are undoubtedly important intended beneficiaries of copyright, the ultimate, primary intended beneficiary is the public,” and that transformative uses further “copyright’s overall objective of contributing to public knowledge.” On the first fair use factor, the Second Circuit—like Judge Chin—found that Google Books served the “highly transformative” purposes of helping people identify and find books, and perform text and data mining through the Ngrams tool. Google’s profit motive was secondary and did not defeat fair use, as “[m]any of the most universally accepted forms of fair use...are all normally done commercially for profit.” On the question of how one distinguishes between “transformations” that fall within the copyright holder’s derivative works right, and those that are protected by fair use, the court explained: “The statutory definition suggests that derivative works [such as translations and adaptations] generally involve transformations in the nature of changes of form. By contrast, copying from an original for the purpose of criticism or commentary on the original or provision of information about it, tends most clearly to satisfy Campbell’s notion of the ‘transformative’
purpose.” [Is this a satisfying explanation? Is a translation not “transformative”? A parodic rap video of a nursery rhyme not a “change of form”?] As in many other cases, the court gave little weight to the second factor, the nature of the copyrighted work. [Why?] With regard to the third factor, the court found that Google legitimately copied entire books because “not only is the copying of the totality of the original reasonably appropriate to Google’s transformative purpose, it is literally necessary to achieve that purpose.” Moreover, “[w]hat matters in such cases is not so much ‘the amount and substantiality of the portion used’ in making a copy, but rather the amount and substantiality of what is thereby made accessible to a public for which it may serve as a competing substitute. . . .”

Turning to the fourth factor, the court found that Google Books did not provide a market substitute for the original books, in part because of snippet view’s built-in limitations: “Snippet view, at best and after a large commitment of manpower, produces discontinuous, tiny fragments. . . . This does not threaten the rights holders with any significant harm...” In addition, the court explained that Google was free to convey the unprotected facts contained within books, even if this resulted in lost sales (as when a student does not purchase a book because she finds the factual information she seeks in a snippet). In addressing potential markets, the court returned to the scope of the derivative works right: “Nothing in the statutory definition of a derivative work, or of the logic that underlies it, suggests that the author of an original work enjoys an exclusive derivative right to supply information about that work of the sort communicated by Google’s search functions.” Therefore, Google did not harm protectable derivative markets. The licensing scheme contemplated by the proposed settlement agreement was irrelevant because it would have allowed “far more extensive” access to expressive content. In April 2016, the Supreme Court denied certiorari in this case.

Note on Cariou v. Prince: As you have seen, “transformative use” has been very important in recent cases. From its original role in Acuff-Rose and SunTrust where it protects parodic transformation, it has come to be used by courts dealing with the interaction between copyright and technology—particularly in the search engine cases and in the Google Books case. Here the “transformation” is of a different kind.

How broadly can this concept be developed? In the 2013 case of Cariou v. Prince (2d Cir. 2013), the Second Circuit espoused an especially broad interpretation of “transformative” use. Patrick Cariou had published a book of photographs taken while living among Rastafarians in Jamaica called “Yes Rasta.” Richard Prince—a famous appropriation artist—incorporated Cariou’s photographs (sometimes in their entirety, sometimes using headshots or other cutouts) into thirty artworks at issue in the case. The district court had ruled for Cariou, finding that Prince’s work was not transformative as a whole because “Prince did not intend to comment on Cariou, on Cariou’s Photos, or on aspects of popular culture closely associated with Cariou.” The Second Circuit disagreed on two grounds. First, it held that, to constitute fair use, a work need not provide such commentary: “The law imposes no requirement that a work comment on the original or its author in order to be considered transformative, and a secondary work may constitute a fair use even if it serves some purpose other than those (criticism, comment, news reporting, teaching, scholarship, and research) identified in the preamble to the statute.” It was sufficient that a work “alter the original with ‘new expression, meaning, or message.’” Second, the court applied an objective test for assessing whether a work was transformative, focusing on how the work may “reasonably be perceived” rather than on the defendant’s subjective intent. Accordingly, Prince’s deposition testimony that he was not “trying to create
anything with a new meaning or a new message” and did not “have any . . . interest in [Mr. Cariou’s] original intent” was beside the point. Applying these standards, the court concluded that twenty-five of Prince’s artworks were transformative as a matter of law because they “manifest[ed] an entirely different aesthetic from Cariou’s photographs,” but remanded to the district court regarding the five remaining artworks because it was not sufficiently clear whether they offered a “new expression, meaning, or message.”

What do you think of the court’s method for evaluating transformative use? Should a creative reuse be considered “transformative” even if it offers minimal commentary, and the artist disavows transformative intent, as long as it presents “new expression, meaning, or message”? Is this standard consistent with the language in *Campbell v. Acuff-Rose*? Is it limited to appropriation art? Can an appellate court meaningfully determine whether certain artistic works are transformative as a matter of law, while others are not?

5.) A Fair Use Case-Study: Multiple Copies for Classroom Use


74 F.3d 1512 (6th Cir. 1996)

RYAN, Circuit Judge.

The plaintiffs, Princeton University Press, MacMillan, Inc., and St. Martin’s Press,
Inc., brought a copyright infringement action against the defendants, Michigan Document Services, Inc. and James M. Smith, president of MDS. The suit alleges that the defendants infringed copyrights held by the plaintiffs when MDS made multiple copies of excerpts from various materials provided by University of Michigan professors, compiled these copies into “coursepacks,” and sold the coursepacks to students for a profit. The district court granted summary judgment to the plaintiffs, found that the defendants’ infringement was “willful,” and issued an injunction against the defendants. The defendants appeal the district court’s decision, defending their copying practices primarily on the ground that the coursepacks are a “fair use” of the copyrighted works and therefore not an infringement. We agree with the defendants that their use is a “fair use” as defined in the Copyright Act of 1976, 17 U.S.C. § 107, and reverse.

I.

Michigan Document Services is a so-called “copy shop” and provides general photoreproduction services to the public. Some of its profits are derived from the sale of “coursepacks” to professors and students. Coursepacks are compilations of various copyrighted and uncopyrighted materials, which may include journal articles, newspaper articles, course notes or syllabi, sample test questions, and excerpts from books. Professors select the contents of the coursepacks and deliver the selected materials to MDS with an estimate of the number of students expected in the course. The professors assign the material to students enrolled in a particular class and inform these students that they may purchase the required materials in coursepack form at MDS if they wish. In the alternative, students are free to make copies of the excerpted material at the library themselves, to copy the material from other students, or to purchase the original works. MDS prepares a master copy of all the materials obtained from the professor, creates a table of contents, identifies excerpts by author and name of the underlying work, numbers the pages, and then binds the copied excerpts together. These coursepacks are sold only to students for use in a particular course. They are not sold to the general public; any copies that are not purchased are simply discarded. The coursepacks are priced on a per-page basis, regardless of the contents of the page; that is, the fee for a page reproducing copyrighted materials is the same as the fee for a blank page.

We are specifically concerned in this case with six excerpts extracted from works to which plaintiffs hold the copyrights. Following the direction of several professors who brought the excerpts to the defendants for copying, MDS assembled the excerpts, along with other materials not at issue in this suit, into three coursepacks. MDS copied 95 pages, or 30%, of *Farewell to the Party of Lincoln: Black Politics in the Age of FDR*, by Nancy J. Weiss; 45 pages, or 18%, of *Public Opinion*, by Walter Lippmann; 77 pages, or 18%, of *The Nature of Human Values*, by Milton Rokeach; 78 pages, or 16%, of *Political Ideology: Why the American Common Man Believes What He Does*, by Robert E. Lane; 52 pages, or 8%, of *Social Psychology*, by Roger Brown; and 17 pages, or 5%, of *Where the Domino Fell: America and Vietnam, 1945 to 1990*, by James S. Olson and Randy Roberts. Each of the requesting professors signed a declaration that he does not request copies of excerpts where he would otherwise have assigned the entire work to his students. MDS sold the coursepacks containing these six excerpts to students at the University of Michigan for use in the 1992 winter semester.

Each of the plaintiff publishers operates a department that receives and processes requests for permission to use any of that publisher’s copyrighted works. The plaintiff publishers usually charge a fee for allowing others to copy portions of their works and
generally share these fees with the authors. Sometimes the publishers grant permission to copy without charge, and other times they deny permission entirely.

MDS did not seek permission to copy any of the six excerpts or pay any royalties or permission fees for the use of the excerpts before selling them to the students. Although only six excerpts are at issue here; the president of MDS estimates that the excerpts at issue are among several thousand such excerpts for which permission to copy was never sought.

III.

The publishers allege that MDS’s for-profit copying and assembling of excerpts from copyrighted works violates the publishers’ exclusive copyrights. The publishers argue that MDS and the publishers compete in the same market. The plaintiffs publish textbooks, anthologies, collections of readings, and other works designed to be useful in the college classroom. The publishers hope that college professors will assign these books and that students will purchase them. In addition to publishing books themselves, the publishers license others, including copy shops like MDS, to use portions of their copyrighted works.

When a professor is dissatisfied with existing published materials, he may designate the readings selected from a number of sources that best suit his specialized purposes and request that MDS, or a similar service, compile a coursepack of these readings. The publishers argue that MDS, like the publishers themselves, hopes that professors will assign, and students will buy, its “books.” The publishers emphasize that MDS advertises its services and advertises the fact that coursepacks can be used “to replace a conventional textbook.” Thus, the publishers characterize MDS as a fellow competitor in the higher education market—a competitor who exploits their copyrighted materials without paying the customary fee.

The publishers allege that the coursepacks prepared by MDS do not constitute fair use of copyrighted works for a number of reasons: the coursepacks have no transformative value; the coursepacks are prepared for commercial purposes; the excerpts are of substantial length and constitute the heart of each work as identified by the requesting professor; the copyrighted works excerpted are valuable, original works at the very core of copyright protection; and MDS’s refusal to pay permission fees affects an established derivative market in which licensed users pay to copy excerpts of copyrighted works for a variety of purposes.

The publishers rely on the legislative history of the Copyright Act. Specifically, they rely on the Classroom Guidelines, which House and Senate conferees “accept[ed] as part of their understanding of fair use . . . with respect to books and periodicals” prior to enactment of the Copyright Act. The Classroom Guidelines assure educators that non-profit copying for educational purposes of “not more than 1,000 words” is fair use when “[t]he inspiration and decision to use the work and the moment of its use for maximum teaching effectiveness are so close in time that it would be unreasonable to expect a timely reply to a request for permission.” The Classroom Guidelines “prohibit[ed] . . . copying . . . used to create . . . anthologies, compilations or collective works.” The publishers argue that MDS’s use of the excerpts far exceeds the “safe harbor” of protection offered by the Guidelines in that MDS copies excerpts that are much longer than 1,000 words, copies for profit, creates anthologies, and copies without permission although it has ample time to seek permission from copyright holders.

MDS, on the other hand, emphasizes that the public has a right to make fair use of a copyrighted work, and to exercise that right without requesting permission from, or
paying any fee to, the copyright holder. Because the primary purpose of the Constitution’s Copyright Clause is not to enrich authors and inventors but to encourage the progress of science and the production of creative works for the public good, only unfair uses of copyrighted materials are prohibited; fair uses are affirmatively guaranteed to the public.

The defendant therefore argues that MDS’s production of coursepacks at the direction of professors cannot violate copyright law because the mere mechanical photoreproduction of materials is not a “use” of those materials in the first place. Further, MDS alleges, the classroom use of the coursepacks promotes learning without undue harm to the incentives to create original works; any copying done at the direction of professors who are making fair use of the materials is therefore authorized as necessary and incidental to that fair use.

Professors select materials to expose their students to theories, facts, and recent developments in the field that are most relevant to the individual professor’s classroom goals. When the materials selected are not so central to the course or are not so lengthy as to justify, in the professor’s judgment, requiring students to purchase the entire original work in which the relevant portions appear, a professor may seek to compile a coursepack of excerpts. Rather than produce multiple copies of the relevant selections themselves or require their students to spend time producing individual copies from scarce library materials, professors request that MDS, or a similar service, copy and assemble the excerpts selected; MDS produces better copies at less cost than individual students could.

MDS notes that professors receive no commissions or other economic benefit from delivering coursepack materials to MDS, and that the publishers lose no sales since the copyrighted works would not otherwise have been assigned. Thus, even assuming that the mechanical photoreproduction of excerpts does amount to a “use” under the Copyright Act, MDS argues that its production of copies for academic use does not violate copyright law.

IV.

Modern copyright law is derived from the Framers’ conviction that providing a secure economic incentive to individuals is the best way to stimulate development of “Science and useful Arts” to the ultimate benefit of the general public: “The Congress shall have Power . . . [t]o 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. I, § 8, cl. 8.

The Supreme Court has acknowledged repeatedly “the inherent tension in the need simultaneously to protect copyrighted material and to allow others to build upon it,” *Campbell v. Acuff-Rose Music, Inc.* (1994), and thereby maximize progress. Although monopoly protection of the financial interests of inventors and authors is necessary “to stimulate creativity and authorship, excessively broad protection would stifle, rather than advance,” intellectual progress. Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1109 (1990). For progress in “Science and useful Arts” to occur, others must be permitted to build upon and refer to the creations of prior thinkers. Accordingly, three judicially created doctrines have been fashioned to limit the copyright monopoly and its potentially stifling effects: first, copyright law does not protect ideas but only their creative expression; second, facts are not protected, regardless of the labor expended by the original author in uncovering them; and, third, the public may make “fair use” of the copyrighted works. MDS relies most heavily on the fair use doctrine.

The Copyright Act both establishes a general grant of monopoly powers to holders of copyrights and codifies the “fair use” doctrine as an exception to that broad grant.
Section 106 of the Copyright Act confers exclusive rights upon individual creators. . . .

Section 107 carves out an exception to the exclusive rights conferred in section 106, permitting members of the public to use copyrighted works for “fair” purposes. . . .

The four fair use factors “are to be . . . weighed together, in light of the purposes of copyright,” Campbell, and “[t]he primary objective of copyright is not to reward the labor of authors, but [t]o promote the Progress of Science and useful Arts.” Feist Publications, Inc. v. Rural Tel. Serv. Co. (1991). Thus, the “fair use” concept embodied in section 107 may be understood generally to permit a secondary use that “serves the copyright objective of stimulating productive thought and public instruction without excessively diminishing the incentives for creativity.” Leval. An evaluation of fair use therefore “involves a difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society’s competing interest in the free flow of ideas, information, and commerce on the other hand.” Sony Corp. of Am. v. Universal City Studios, Inc. (1984). Despite statutory mention of “teaching” and “multiple copies for classroom use” as possible fair uses, § 107, “the mere fact that a use is educational and not for profit does not insulate it from a finding of infringement.” Campbell. Thus, here, the use must be examined under all four factors as must any other allegedly infringing work.

The four statutory factors are unambiguous. Therefore, we need not resort to the legislative history. Congress could easily have enacted the Classroom Guidelines into law by including the Guidelines in the language of section 107; it chose instead to establish four broad factors to be considered in a case-by-case analysis of all alleged fair uses, even classroom uses, of copyrighted material. We are bound by Congress’ decision. The publishers’ reliance on the Classroom Guidelines is misplaced; we may not permit the statutory text enacted by both Houses of Congress “to be expanded or contracted by the statements of individual legislators or committees during the course of the enactment process.” Thus, we rely exclusively upon the language of the Copyright Act, and its construction in the case law, to determine whether MDS’s compilation into coursepacks of excerpts selected by professors is a “fair use” of the copyrighted materials.

V.

A.

The first factor that courts must evaluate in a fair use determination is “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.” 17 U.S.C. § 107(1). There are two parts to this test: (1) the degree to which the challenged use has transformed the original, and (2) the profit or nonprofit character of the use. Ordinarily, analysis under the first factor centers on “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.’” Campbell. Because works that are transformative are more likely to promote science and the arts, transformative works are likely to be found to be fair uses, whereas works that merely copy the original are likely to be found to be infringements of the copyrighted work. However, the Supreme Court has noted in dictum that “[t]he obvious statutory exception to this focus on transformative uses is the straight reproduction of multiple copies for classroom distribution.” Thus, although the transformative value of the coursepacks is slight, the fact that the coursepacks are “multiple copies for classroom use” preserves MDS’s claim of “fair use.”
Further, the transformative value is slight but not nonexistent. The coursepack is essentially a new product comprising selected portions of other works, and perfectly customized to the classroom professor’s individualized purpose. A professor may select precisely the materials that he feels are most instructive in the course, with constant opportunity to alter the whole, from time-to-time, by altering the mix. Coursepacks are particularly helpful in newly conceived interdisciplinary courses that draw small portions from a number of traditional, established disciplines. The publishing industry does not offer such highly customized and current materials, and indeed is not equipped to do so.

The other element of the first “fair use” factor is whether the purpose of the use is commercial or nonprofit and educational. The “fact that a publication [is] commercial as opposed to nonprofit is a separate factor that tends to weigh against a finding of fair use.” Harper & Row, Publishers, Inc. v. Nation Enterprises (1985). The central inquiry “is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.”

The coursepacks at issue are “used” at two levels. One “use,” MDS’s production and sale of the coursepacks, is clearly a for-profit “use,” and one, the students’ use of the coursepacks in the classroom, is entirely non-profit and educational. The publishers argue that the only relevant “use” under the first factor in this suit against MDS is MDS’s sale of the coursepacks to students, not the use of the purchased coursepacks in the classroom. We disagree. Congress specifically mentioned “teaching (including multiple copies for classroom use),” § 107 (emphasis added), as an illustration of a possible fair use. The language of section 107 incorporates copying (implicit in “multiple copies”) within the illustrative use of “teaching.” Congress specifically anticipated the use of “multiple copies” for the purpose of “teaching”; we cannot examine the production of multiple copies in a vacuum, ignoring their educational use. The copying in this case is not a use unto itself; it is the mechanical component of the process that makes the material available for classroom use. The language of the statute, “including multiple copies for classroom use,” requires us to consider copying as an integral part of “teaching.” Therefore, we consider both the mechanical production of the copies and the classroom use of the excerpts in evaluating “the purpose and character of the use” and its commercial or nonprofit educational nature.

Because Congress “eschewed a rigid, bright-line approach to fair use,” Sony, our mandate is to conduct “a sensitive balancing of interests,” considering all the circumstances. We must determine whether MDS stood “to profit from exploitation of the copyrighted material without paying the customary price.” Harper & Row. In the context of this case, we find the undisputed fact that MDS can produce “multiple copies for classroom use,” at a profit, for less than it would cost the professors or students to produce them to be significant. The publishers declined at oral argument to argue that the professors and students may not copy these excerpts and assemble them privately for their own educational purposes. The professors and students, who might otherwise copy the materials themselves, have assigned the task of copying to a professional service that can perform the copying more efficiently. On these facts, the for-profit provision of this service does not weigh against a finding of fair use. Here, MDS obtains a profit by providing a service. MDS charges on a per-page basis, regardless of content; MDS does not extract an extra fee for reproducing materials that are copyrighted. MDS does not “exploit” copyrighted material within the meaning of Harper & Row, because its fee does not turn on the content of the materials, copyrighted or not, that it copies. It does not, of course, select the materials to be copied or determine the amount to be excerpted. The business of producing and
sustaining coursepacks is more properly viewed as the exploitation of professional copying technologies and the inability of academic parties to reproduce printed materials efficiently, not the exploitation of copyrighted, creative materials. We hold that the Copyright Act does not prohibit professors and students who may make copies themselves from using the photoreproduction services of a third party in order to obtain those same copies at less cost.

Thus, the coursepacks fit within the exception to the “transformative” quality requirement, and the predominant character of the use of excerpts in coursepacks is not commercial but “nonprofit educational.” The first factor therefore favors a finding of fair use.

B.

The second fair use factor, “the nature of the copyrighted work,” 17 U.S.C. § 107(2), recognizes that fair use is more difficult to establish when the work being used is at “the core of intended copyright protection.” *Campbell*. Factual compilations, such as telephone book listings, with only a small element of creativity and originality may be used more freely than creative works. *Feist*. The materials copied in this case are much closer to the core of work protected by copyright than to the mere compilations of raw data in the phone books in *Feist*. The excerpts used in the coursepacks are substantially creative, containing original analysis and creative theories. Although some of the copyrighted works contain non-original material not protected by copyright, each excerpt contains far more than the “minimal degree of creativity” that qualifies it as “independently created by the author” and therefore original.

The fact that the excerpts in this case are extracted from works that may be categorized as “non-fiction” does not mean that any use is fair use. Rather, monopoly protections accrue “equally to works of fiction and nonfiction.” *Harper & Row*. Copyright protections are intended to induce the creation of new material of potential historical value, not just fictional works, and therefore extend to the excerpts here at issue.

The second factor, on these facts, does little more than confirm that the works at issue are protected by copyright and may only be used “fairly.” Thus, the fair use examination properly proceeds to evaluate factors three and four to determine whether this use of the excerpts is fair.

C.

The third factor considers “the amount and substantiality of the portion used in relation to the copyrighted work as a whole.” 17 U.S.C. § 107(3). In the context of a musical parody’s use of a copyrighted song, the Supreme Court interpreted this factor to inquire whether the quantity and value of the materials used were reasonable in relation to the purpose of the copying, noting that “the extent of permissible copying varies with the purpose and character of the use.” *Campbell*. As the Supreme Court acknowledged, “[t]he facts bearing on this factor will also tend to address the fourth [factor, which evaluates market effect], by revealing the degree to which the parody may serve as a market substitute for the original or potentially licensed derivatives.” Thus, we ask whether such substantial portions of a copyrighted work were used that a coursepack is “composed primarily of [the] original, particularly [the original’s] heart, with little added or changed” such that the coursepack merely supersedes the copyrighted work, “fulfilling demand for the original.”

There is no evidence that the six excerpts in the coursepacks are so substantial as to supersede the original works. The publishers have submitted a declaration stating that, in accordance with established practices, permission would have been denied, even if sought, with regard to the excerpt from *Public Opinion*, by Walter Lippmann. The publisher considers the excerpt so lengthy and the published edition sufficiently inexpensive that the
A Fair Use Case-Study: Multiple Copies for Classroom Use

book should have been purchased rather than copied with permission, for a fee. The declarant opined that copying 46 pages would adversely affect book sales, but offered no factual evidence in this regard. The fact that the publisher would prefer the book to be purchased is not relevant to our analysis. Each of the professors who delivered the materials at issue to MDS signed a statement that he would not otherwise have assigned the copyrighted work to the class. Nothing in the record contradicts these declarations.

The lengthiest excerpt used in one of the coursepacks comprised only 30% of Farewell to the Party of Lincoln: Black Politics in the Age of FDR, by Nancy J. Weiss, the original copyrighted work. Other excerpts ranged from 5% to 18% of the original works. There is no evidence to suggest that even the 30% selected from Weiss’s book extracted the heart of the work rather than just those portions that the professor deemed instructive for his limited classroom purposes. Given the uncontroverted declarations of the professors that they would not have chosen to assign the original works even if copied excerpts were not available, there is no basis for us to conclude that the portions extracted from the copyrighted works were so substantial that the resulting coursepacks superseded the originals. As the district court noted, the six excerpts at issue in this case “are truly ‘excerpts,’ and do not purport to be replacements for the original works.”

The record cannot support a finding that the copyrighted works at issue were excerpted so substantially that the coursepacks superseded the original works. Thus, the third factor favors a finding of fair use.

D.

The fourth fair use factor is “the effect of the use upon the potential market for or value of the copyrighted work.” 17 U.S.C. § 107(4). Under this factor, courts must consider the extent of market harm caused by the particular actions of the alleged infringer and “whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market for the original.” Campbell. The fourth factor is the single most important element of fair use, Harper & Row, and “must take account not only of harm to the original but also of harm to the market for derivative works.”

Because the record before us contains no evidence that the market for the original work, or for derivative works, was affected by the use of excerpts in coursepacks, the resolution of this factor turns on the assignment of the burden of proof on market effect. The Sony Court assigned the burden of proof on market effect to the party alleging infringement, whereas the Campbell Court assigned the burden of proof on market effect to the proponent of the fair use defense. The rule articulated in Sony is the one that is applicable to this case because both Sony and the case at hand involve noncommercial uses of a copyrighted work whereas Campbell articulated the rule for commercial uses of a copyrighted work. A commercial use may be presumed to affect the market whereas no such assumption of market effect may be made with regard to a nonprofit educational use. Sony.

In Sony, the Court held:

A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work . . . . What is necessary is a showing by a preponderance of the evidence that some meaningful likelihood of future harm exists. If the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated.
Accordingly, because we have determined that the use of the excerpts at issue in the coursepacks is for nonprofit educational purposes, we do not apply a presumption of market harm against MDS’s use.

Rather, it is the publishers’ burden to demonstrate at least a meaningful likelihood that future harm to a potential market for the copyrighted works will occur. Works or uses that creators of original works would “in general develop or license others to develop” make up the market for potential derivative uses. *Campbell*. The plaintiffs did not demonstrate that the coursepacks affected the market for the original copyrighted works or the potential market for derivative works, such as *published* anthologies, nor did they demonstrate any “meaningful likelihood of future harm,” to any market. Rather, the plaintiffs limited their allegations and demonstrations of “market effect” to evidence of lost permission fees resulting from defendants’ refusal to seek permission and pay fees for the copying and selling of excerpts from copyrighted works.

Evidence of lost permission fees does not bear on market effect. The right to permission fees is precisely what is at issue here. It is circular to argue that a use is unfair, and a fee therefore required, on the basis that the publisher is otherwise deprived of a fee. The publishers must demonstrate a likelihood that MDS’s use of the excerpts replaces or affects the value of the copyrighted works, not just that MDS’s failure to pay fees causes a loss of fees, to which the plaintiffs may or may not have been entitled in the first instance. Given the uncontroverted fact that professors would not have assigned the copyrighted works in the absence of available coursepack compilations of excerpts, it appears that there is no damage to the market for the original work.

Photoreproductions of limited excerpts, even if bound, are poor substitutes for a published work for any use beyond the precise scope of the course. For example, it is unlikely that students who wish to build a personal library of books from their college years for future reference will retain loosely bound photoreproduction coursepacks of limited excerpts; unwieldy coursepacks may be inconvenient and unattractive to display and may or may not contain the material sought later in life.

Moreover, the students who used the coursepacks were not a market for purchase of the original works; the professors would not otherwise have required students to purchase the original works. If it had any effect at all, use of the excerpted materials enhanced the prospect that the original works might later be of interest to the student. Students might purchase the copyrighted works when, for example, taking other courses in the same discipline, conducting more extensive research into a subject “touched upon” in an excerpt, or doing graduate work in a broader field to which the excerpted material later appeared relevant and was recalled.

Therefore, we must conclude that there is no evidence of market effect and that the fourth, and most important factor, weighs decisively in favor of “fair use.”

**E.**

The four factors specifically set forth in section 107 for consideration are not an exclusive list of the factors relevant to a fair use determination. We confront here an additional consideration. More than one hundred authors declared on record that they write for professional and personal reasons such as making a contribution to the discipline, providing an opportunity for colleagues to evaluate and critique the authors’ ideas and theories, enhancing the authors’ professional reputations, and improving career opportunities. These declarants stated that their primary purpose in writing is not for monetary compensation and that they advocate wide dissemination of excerpts from their works via coursepacks without imposition of permission fees. The fact that incentives for producing higher
education materials may not revolve around monetary compensation is highly relevant. Copyright law seeks to encourage the use of works to the greatest extent possible without creating undue disincentives to the creation of new works. The inclusion of excerpts in coursepacks without the payment of permission fees does not deprive authors and inventors of the rewards that the record indicates authors value, such as recognition. Finding that the excerpts at issue here were used fairly would deprive the authors of their share of permission fees assessed for the copies. However, the record indicates that monetary compensation is a secondary consideration for authors in this field, and the permission fees, while significant in the aggregate to publishing companies, are likely to amount to a mere pittance for individual authors. MDS’s use of the copyrighted works appears to provide the authors with incentive to create new works, thereby advancing the progress of science and the arts, rather than to discourage them from doing so.

Thus, an additional factor, incentives to create in this specialized field, weighs in favor of a finding of fair use.

VI.

Because the statutory factors, plus author incentives, dictate a finding of fair use, we conclude that MDS did not infringe upon the copyrights of the publishers in this case. We REVERSE the district court and order summary judgment for the defendants on the basis of fair use.

DAVID A. NELSON, Circuit Judge, concurring in part and dissenting in part. [Omitted.]

Questions:

1.) “Evidence of lost permission fees does not bear on market effect. The right to permission fees is precisely what is at issue here. It is circular to argue that a use is unfair, and a fee therefore required, on the basis that the publisher is otherwise deprived of a fee.” Explain.

2.) How could one ever escape from such circular reasoning? In other words, how could one ever talk of market harm if one cannot assume that one has a right to the contested market?

3.) Whose incentives are the relevant ones here, according to Judge Ryan? What would the publishers say? What arguments can each of them draw from the Intellectual Property Clause of the constitution?
coursepacks to students for use in fulfilling reading assignments given by professors at the University of Michigan. The copyshop acted without permission from the copyright holders, and the main question presented is whether the “fair use” doctrine codified at 17 U.S.C. § 107 obviated the need to obtain such permission.

Answering this question “no,” and finding the infringement willful, the district court entered a summary judgment order in which the copyright holders were granted equitable relief and were awarded damages that may have been enhanced for willfulness. *Princeton Univ. Press v. Michigan Document Servs., Inc.* (E.D. Mich. 1994). A three-judge panel of this court reversed the judgment on appeal, but a majority of the active judges of the court subsequently voted to rehear the case *en banc*. The appeal has now been argued before the full court.

We agree with the district court that the defendants’ commercial exploitation of the copyrighted materials did not constitute fair use, and we shall affirm that branch of the district court’s judgment. We believe that the district court erred in its finding of willfulness, however, and we shall vacate the damages award because of its possible linkage to that finding. . . .

Ann Arbor, the home of the University of Michigan, is also home to several copyshops. Among them is defendant Michigan Document Services (MDS), a corporation owned by defendant James Smith. We are told that MDS differs from most, if not all, of its competitors in at least one important way: it does not request permission from, nor does it pay agreed royalties to, copyright owners.

Mr. Smith has been something of a crusader against the system under which his competitors have been paying agreed royalties, or “permission fees” as they are known in the trade. The story begins in March of 1991, when Judge Constance Baker Motley, of the United States District Court for the Southern District of New York, decided the first reported case involving the copyright implications of educational coursepacks. See *Basic Books, Inc. v. Kinko’s Graphics Corp.* (S.D.N.Y. 1991), holding that a Kinko’s copyshop had violated the copyright statute by creating and selling coursepacks without permission from the publishing houses that held the copyrights. After *Kinko’s*, we are told, many copyshops that had not previously requested permission from copyright holders began to obtain such permission. Mr. Smith chose not to do so. He consulted an attorney, and the attorney apparently advised him that while it was “risky” not to obtain permission, there were flaws in the *Kinko’s* decision. Mr. Smith also undertook his own study of the fair use doctrine, reading what he could find on this subject in a law library. He ultimately concluded that the *Kinko’s* case had been wrongly decided, and he publicized this conclusion through speeches, writings, and advertisements. His advertisements stressed that professors whose students purchased his coursepacks would not have to worry about delays attendant upon obtaining permission from publishers.

Not surprisingly, Mr. Smith attracted the attention of the publishing industry. Three publishers—Princeton University Press, MacMillan, Inc., and St. Martin’s Press, Inc.—eventually brought the present suit against Mr. Smith and his corporation.

Each of the plaintiff publishers maintains a department that processes requests for permission to reproduce portions of copyrighted works. (In addition, copyshops may request such permission through the Copyright Clearance Center, a national clearinghouse.) Macmillan and St. Martin’s, both of which are for-profit companies, claim that they generally respond within two weeks to requests for permission to make copies for classroom use. Princeton, a non-profit organization, claims to respond within two to four weeks. Mr. Smith has not put these claims to the test, and he has not paid permission fees. . . .
II

The fair use doctrine, which creates an exception to the copyright monopoly, “permits [and requires] courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.” Campbell v. Acuff-Rose Music, Inc. (1994). Initially developed by the courts, the doctrine was codified at 17 U.S.C. § 107 in 1976. Congress used the following formulation in Section 107:

“[T]he fair use of a copyrighted work, including such use by reproduction in copies . . . for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use). . . .”

This language does not provide blanket immunity for “multiple copies for classroom use.” Rather, “whether a use referred to in the first sentence of Section 107 is a fair use in a particular case . . . depend[s] upon the application of the determinative factors.” Campbell 1

The four statutory factors may not have been created equal. In determining whether a use is “fair,” the Supreme Court has said that the most important factor is the fourth, the one contained in 17 U.S.C. § 107(4). See Harper & Row Publishers, Inc. v. Nation Enters. (But see American Geophysical Union v. Texaco Inc. (2d Cir. 1994), suggesting that the Supreme Court may now have abandoned the idea that the fourth factor is of paramount importance.) We take it that this factor, “the effect of the use upon the potential market for or value of the copyrighted work,” is at least primus inter pares, figuratively speaking, and we shall turn to it first.

The burden of proof as to market effect rests with the copyright holder if the challenged use is of a “noncommercial” nature. The alleged infringer has the burden, on the other hand, if the challenged use is “commercial” in nature. Sony Corp. v. Universal City Studios, Inc. (1984). In the case at bar the defendants argue that the burden of proof rests with the publishers because the use being challenged is “noncommercial.” We disagree.

It is true that the use to which the materials are put by the students who purchase the coursepacks is noncommercial in nature. But the use of the materials by the students is not the use that the publishers are challenging. What the publishers are challenging is the duplication of copyrighted materials for sale by a for-profit corporation that has decided to maximize its profits—and give itself a competitive edge over other copyshops—by declining to pay the royalties requested by the holders of the copyrights.2

1 Judge Merritt’s dissent rejects this proposition and asserts, in effect, that under the plain language of the copyright statute the making of multiple copies for classroom use constitutes fair use ipso facto. Judge Merritt’s reading of the statute would be unassailable if Congress had said that “the use of a copyrighted work for purposes such as teaching (including multiple copies for classroom use) is not an infringement of copyright.” But that is not what Congress said. It said, rather, that “the fair use of a copyrighted work, including such use [i.e. including “fair use”] . . . for purposes such as . . . teaching (including multiple copies for classroom use) . . . is not an infringement of copyright.”

When read in its entirety, as Judge Ryan’s dissent correctly recognizes, the quoted sentence says that fair use of a copyrighted work for purposes such as teaching (including multiple copies for classroom use) is not an infringement. And the statutory factors set forth in the next sentence must be considered in determining whether the making of multiple copies for classroom use is a fair use in “any particular case,” just as the statutory factors must be considered in determining whether any other use referred to in the first sentence is a fair use in a particular case. To hold otherwise would be to subvert the intent manifested in the words of the statute and confirmed in the pertinent legislative history.

2 Two of the dissents suggest that a copyshop merely stands in the shoes of its customers and makes no “use” of copyrighted materials that differs materially from the use to which the copies are put by the ultimate consumer. But subject to the fair use exception, 17 U.S.C. § 106 gives the copyright owner the “exclusive” right “to reproduce the copyrighted work in copies. . . .” And if the fairness of making copies depends on
The defendants’ use of excerpts from the books at issue here was no less commercial in character than was The Nation magazine’s use of copyrighted material in Harper & Row, where publication of a short article containing excerpts from the still unpublished manuscript of a book by President Ford was held to be an unfair use. Like the students who purchased unauthorized coursepacks, the purchasers of The Nation did not put the contents of the magazine to commercial use—but that did not stop the Supreme Court from characterizing the defendant’s use of the excerpts as “a publication [that] was commercial as opposed to nonprofit . . . .” Harper & Row. And like the use that is being challenged in the case now before us, the use challenged in Harper & Row was “presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright.” [Q]uoting Sony.3

The strength of the Sony presumption may vary according to the context in which it arises, and the presumption disappears entirely where the challenged use is one that transforms the original work into a new artistic creation. See Campbell. Perhaps the presumption is weaker in the present case than it would be in other contexts. There is a presumption of unfairness here, nonetheless, and we are not persuaded that the defendants have rebutted it.

If we are wrong about the existence of the presumption—if the challenged use is not commercial, in other words, and if the plaintiff publishers have the burden of proving an adverse effect upon either the potential market for the copyrighted work or the potential value of the work—we believe that the publishers have carried the burden of proving a diminution in potential market value.

One test for determining market harm—a test endorsed by the Supreme Court in Sony, Harper & Row, and Campbell—is evocative of Kant’s categorical imperative. “[T]o negate fair use,” the Supreme Court has said, “one need only show that if the challenged use ‘should become widespread, it would adversely affect the potential market for the copyrighted work.’” Harper & Row, quoting Sony. Under this test, we believe, it is reasonably clear that the plaintiff publishers have succeeded in negating fair use.

As noted above, most of the copyshops that compete with MDS in the sale of coursepacks pay permission fees for the privilege of duplicating and selling excerpts from copyrighted works. The three plaintiffs together have been collecting permission fees at a rate approaching $500,000 a year. If copyshops across the nation were to start doing what the defendants have been doing here, this revenue stream would shrivel and the potential value of the copyrighted works of scholarship published by the plaintiffs would be diminished accordingly.

what the ultimate consumer does with the copies, it is hard to see how the manufacture of pirated editions of any copyrighted work of scholarship could ever be an unfair use. As discussed infra, the dissenters’ suggestion—which proposes no limiting principle—runs counter to the legislative history of the Copyright Act and has properly been rejected by the courts.

3 Judge Ryan’s dissent maintains that there cannot be an “exploitation” of a copyrighted work unless the exploiter assesses the work’s market potential, makes a selection based on content, and realizes a profit from the substance of the work. But the dictionary defines “exploit” in terms that include “to take advantage of, utilize,” see Webster’s Third New International Dictionary (Unabridged), and nothing in Harper & Row suggests that the Supreme Court intended a narrower or more idiosyncratic meaning.

The dissent also points out that it was magazine employees, not outsiders, who obtained the unpublished manuscript of the Ford book and selected the portions that were included in the offending article. But nothing turns on the “in house” character of such activities. If a college professor had obtained the manuscript, selected the excerpts and peddled the article on a freelance basis, can anyone doubt that it would have been a violation of the copyright for The Nation to publish the professor’s article?
The defendants contend that it is circular to assume that a copyright holder is entitled to permission fees and then to measure market loss by reference to the lost fees. They argue that market harm can only be measured by lost sales of books, not permission fees. But the circularity argument proves too much. Imagine that the defendants set up a printing press and made exact reproductions—asserting that such reproductions constituted “fair use”—of a book to which they did not hold the copyright. Under the defendants’ logic it would be circular for the copyright holder to argue market harm because of lost copyright revenues, since this would assume that the copyright holder had a right to such revenues.

A “circularity” argument indistinguishable from that made by the defendants here was rejected by the Second Circuit in *American Geophysical*, where the photocopying of scientific articles for use by Texaco researchers was held to be an unfair use. It is true, the Second Circuit acknowledged, that “a copyright holder can always assert some degree of adverse [e]ffect on its potential licensing revenues as a consequence of [the defendant’s use] . . . simply because the copyright holder has not been paid a fee to permit that particular use.” But such an assertion will not carry much weight if the defendant has “filled a market niche that the [copyright owner] simply had no interest in occupying.” Where, on the other hand, the copyright holder clearly does have an interest in exploiting a licensing market—and especially where the copyright holder has actually succeeded in doing so—“it is appropriate that potential licensing revenues for photocopying be considered in a fair use analysis.” *American Geophysical*. Only “traditional, reasonable, or likely to be developed markets” are to be considered in this connection, and even the availability of an existing system for collecting licensing fees will not be conclusive.4 But Congress has implicitly suggested that licensing fees should be recognized in appropriate cases as part of the potential market for or value of the copyrighted work, and it was primarily because of lost licensing revenue that the Second Circuit agreed with the finding of the district court in *American Geophysical* that “the publishers have demonstrated a substantial harm to the value of their copyrights through [Texaco’s] copying.”

The approach followed by Judges Newman and Leval in the *American Geophysical* litigation is fully consistent with the Supreme Court case law. In *Harper & Row*, where there is no indication in the opinion that the challenged use caused any diminution in sales of President Ford’s memoirs, the Court found harm to the market for the licensing of excerpts. The Court’s reasoning—which was obviously premised on the assumption that the copyright holder was entitled to licensing fees for use of its copyrighted materials—is no more circular than that employed here. And in *Campbell*, where the Court was unwilling to conclude that the plaintiff had lost licensing revenues under the fourth statutory factor, the Court reasoned that a market for critical parody was not one “that creators of original works would in general develop or license others to develop.” *Campbell*.

The potential uses of the copyrighted works at issue in the case before us clearly include the selling of permission to reproduce portions of the works for inclusion in coursepacks—and the likelihood that publishers actually will license such reproduction is a demonstrated fact. A licensing market already exists here, as it did not in a case on

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4 Although not conclusive, the existence of an established license fee system is highly relevant: “[I]t is sensible that a particular unauthorized use should be considered ‘more fair’ when there is no ready market or means to pay for the use, while such an unauthorized use should be considered ‘less fair’ when there is a ready market or means to pay for the use. The vice of circular reasoning arises only if the availability of payment is conclusive against fair use.”
which the plaintiffs rely, *Williams & Wilkins Co. v. United States* (1973). Thus there is no circularity in saying, as we do say, that the potential for destruction of this market by widespread circumvention of the plaintiffs’ permission fee system is enough, under the *Harper & Row* test, “to negate fair use.”

Our final point with regard to the fourth statutory factor concerns the affidavits of the three professors who assigned one or more of the copyrighted works to be read by their students. The defendants make much of the proposition that these professors only assigned excerpts when they would not have required their students to purchase the entire work. But what seems significant to us is that none of these affidavits shows that the professor executing the affidavit would have refrained from assigning the copyrighted work if the position taken by the copyright holder had been sustained beforehand.

It is true that Professor Victor Lieberman, who assigned the excerpt from the Olson and Roberts book on America and Vietnam, raises questions about the workability of the permission systems of “many publishers.” In 1991, Professor Lieberman avers, a Kinko’s copyshop to which he had given materials for inclusion in a coursepack experienced serious delays in obtaining permissions from unnamed publishers. Professor Lieberman does not say that timely permission could not have been obtained from the publisher of the Olson and Roberts book, however, and he does not say that he would have refrained from assigning the work if the copyshop had been required to pay a permission fee for it.

It is also true that the publisher of one of the copyrighted works in question here (*Public Opinion*, by Walter Lippmann) would have turned down a request for permission to copy the 45-page excerpt included in a coursepack prepared to the specifications of Professor Donald Kinder. The excerpt was so large that the publisher would have preferred that students buy the book itself, and the work was available in an inexpensive paperback edition. But Professor Kinder does not say that he would have refrained from assigning the excerpt from the Lippmann book if it could not have been included in the coursepack. Neither does he say that he would have refrained from assigning any of the other works mentioned in his affidavit had he known that the defendants would be required to pay permission fees for them.

The third professor, Michael Dawson, assigned a 95-page excerpt from the book on black politics by Nancy Weiss. Professor Dawson does not say that a license was not available from the publisher of the Weiss book, and he does not say that the license fee would have deterred him from assigning the book.

III

In the context of nontransformative uses, at least, and except insofar as they touch on the fourth factor, the other statutory factors seem considerably less important. We shall deal with them relatively briefly.

A

As to “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes,” 17 U.S.C. § 107(1), we have already explained our reasons for concluding that the challenged use is of a commercial nature.

The defendants argue that the copying at issue here would be considered “nonprofit educational” if done by the students or professors themselves. The defendants also note that they can profitably produce multiple copies for less than it would cost the professors or the students to make the same number of copies. Most of the copyshops
with which the defendants compete have been paying permission fees, however, and we assume that these shops too can perform the copying on a more cost-effective basis than the professors or students can. This strikes us as a more significant datum than the ability of a black market copyshop to beat the do-it-yourself cost.

As to the proposition that it would be fair use for the students or professors to make their own copies, the issue is by no means free from doubt. We need not decide this question, however, for the fact is that the copying complained of here was performed on a profit-making basis by a commercial enterprise. And “[t]he courts have . . . properly rejected attempts by for-profit users to stand in the shoes of their customers making nonprofit or noncommercial uses.” Patry, *Fair Use in Copyright Law*. As the House Judiciary Committee stated in its report on the 1976 legislation,

“[I]t would not be possible for a non-profit institution, by means of contractual arrangements with a commercial copying enterprise, to authorize the enterprise to carry out copying and distribution functions that would be exempt if conducted by the non-profit institution itself.”

It should be noted, finally, that the degree to which the challenged use has transformed the original copyrighted works—another element in the first statutory factor—is virtually indiscernible. If you make verbatim copies of 95 pages of a 316-page book, you have not transformed the 95 pages very much—even if you juxtapose them to excerpts from other works and package everything conveniently. This kind of mechanical “transformation” bears little resemblance to the creative metamorphosis accomplished by the parodists in the *Campbell* case. . . .

V

We take as our text for the concluding part of this discussion of fair use Justice Stewart’s well-known exposition of the correct approach to “ambiguities” in the copyright law:

“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. ‘The sole interest of the United States and the primary object in conferring the monopoly,’ this Court has said, ‘lie in the general benefits derived by the public from the labors of authors.’ . . . When technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of this basic purpose.” *Twentieth Century Music Corp. v. Aiken* (1975).

The defendants attach considerable weight to the assertions of numerous academic authors that they do not write primarily for money and that they want their published writings to be freely copyable. The defendants suggest that unlicensed copying will “stimulate artistic creativity for the general public good.”

This suggestion would be more persuasive if the record did not demonstrate that licensing income is significant to the publishers. It is the publishers who hold the copyrights, of course—and the publishers obviously need economic incentives to publish scholarly works, even if the scholars do not need direct economic incentives to write such works.

The writings of most academic authors, it seems fair to say, lack the general appeal of works by a Walter Lippmann, for example. (Lippmann is the only non-academic author whose writings are involved in this case.) One suspects that the profitability of at least some of the other books at issue here is marginal. If publishers cannot look forward to receiving permission fees, why should they continue publishing marginally profitable
books at all? And how will artistic creativity be stimulated if the diminution of economic incentives for publishers to publish academic works means that fewer academic works will be published?

The fact that a liberal photocopying policy may be favored by many academics who are not themselves in the publishing business has little relevance in this connection. As Judge Leval observed in *American Geophysical*,

> “It is not surprising that authors favor liberal photocopying; generally such authors have a far greater interest in the wide dissemination of their work than in royalties—all the more so when they have assigned their royalties to the publisher. But the authors have not risked their capital to achieve dissemination. The publishers have. Once an author has assigned her copyright, her approval or disapproval of photocopying is of no further relevance.”

In the case at bar the district court was not persuaded that the creation of new works of scholarship would be stimulated by depriving publishers of the revenue stream derived from the sale of permissions. Neither are we. On the contrary, it seems to us, the destruction of this revenue stream can only have a deleterious effect upon the incentive to publish academic writings.

**VI**

The district court’s conclusion that the infringement was willful is somewhat more problematic, in our view. The Copyright Act allows the collection of statutory damages of between $500 and $20,000 for each work infringed. 17 U.S.C. § 504(c)(1). Where the copyright holder establishes that the infringement is willful, the court may increase the award to not more than $100,000. 17 U.S.C. § 504(c)(2). If the court finds that the infringement was innocent, on the other hand, the court may reduce the damages to not less than $200. Here the district court awarded $5,000 per work infringed, characterizing the amount of the award as “a strong admonition from this court.”

Willfulness, under this statutory scheme, has a rather specialized meaning. As Professor Nimmer explains,

> “In other contexts ['willfulness'] might simply mean an intent to copy, without necessarily an intent to infringe. It seems clear that as here used, ‘willfully’ means with knowledge that the defendant’s conduct constitutes copyright infringement. Otherwise, there would be no point in providing specially for the reduction of minimum awards in the case of innocent infringement, because any infringement that was nonwillful would necessarily be innocent. This seems to mean, then, that one who has been notified that his conduct constitutes copyright infringement, but who reasonably and in good faith believes the contrary, is not ‘willful’ for these purposes.”

The plaintiffs do not contest the good faith of Mr. Smith’s belief that his conduct constituted fair use; only the reasonableness of that belief is challenged. “Reasonableness,” in the present context, is essentially a question of law. The facts of the instant case are not in dispute, and the issue is whether the copyright law supported the plaintiffs’ position so clearly that the defendants must be deemed as a matter of law to have exhibited a reckless disregard of the plaintiffs’ property rights. We review this issue *de novo*.

Fair use is one of the most unsettled areas of the law. The doctrine has been said to be “so flexible as virtually to defy definition.” *Time Inc. v. Bernard Geis Assoc.*
A Fair Use Case-Study: Multiple Copies for Classroom Use

(S.D.N.Y. 1968). The potential for reasonable disagreement here is illustrated by the forcefully argued dissents and the now-vacated panel opinion. In the circumstances of this case, we cannot say that the defendants’ belief that their copying constituted fair use was so unreasonable as to bespeak willfulness. Accordingly, we shall remand the case for reconsideration of the statutory damages to be awarded. . . .

VIII

The grant of summary judgment on the fair use issue is AFFIRMED. The award of damages is VACATED, and the case is REMANDED for reconsideration of damages and for entry of a separate judgment not inconsistent with this opinion.

BOYCE F. MARTIN, Jr., Chief Judge, dissenting.

This case presents for me one of the more obvious examples of how laudable societal objectives, recognized by both the Constitution and statute, have been thwarted by a decided lack of judicial prudence. Copyright protection as embodied in the Copyright Act of 1976 is intended as a public service to both the creator and the consumer of published works. Although the Act grants to individuals limited control over their original works, it was drafted to stimulate the production of those original works for the benefit of the whole nation. The fair use doctrine, which requires unlimited public access to published works in educational settings, is one of the essential checks on the otherwise exclusive property rights given to copyright holders under the Copyright Act.

Ironically, the majority’s rigid statutory construction of the Copyright Act grants publishers the kind of power that Article I, Section 8 of the Constitution is designed to guard against. The Copyright Clause grants Congress the power to create copyright interests that are limited in scope. Consequently, the Copyright Act adopted the fair use doctrine to protect society’s vested interest in the sharing of ideas and information against pursuits of illegitimate or excessive private proprietary claims. While it may seem unjust that publishers must share, in certain situations, their work-product with others, free of charge, that is not some “unforeseen byproduct of a statutory scheme;” rather, it is the “essence of copyright” and a “constitutional requirement.” Feist Publications, Inc. v. Rural Tel. Serv. Co. (1991).

Michigan Document Services provided a service to the University of Michigan that promoted scholarship and higher education. Michigan Document Services was paid for its services; however, that fact does not obviate a fair use claim under these facts. Requiring Michigan Document Services to pay permission fees in this instance is inconsistent with the primary mission of the Copyright Act. The individual rights granted by the Act are subservient to the Act’s primary objective, which is the promotion of creativity generally. We must therefore consider the fair use provision of Section 107 of the Act in light of the sum total of public benefits intended by copyright law. In this instance, there is no adverse economic impact on Princeton University Press that can outweigh the benefits provided by Michigan Document Services. Indeed, to presume adverse economic impact, as has the majority, is to presume that the $50,000 in fees currently earned by plaintiff is mandated by the Act in every instance—something I hesitate to presume.

That the majority lends significance to the identity of the person operating the photocopier is a profound indication that its approach is misguided. Given the focus of the Copyright Act, the only practical difference between this case and that of a student making his or her own copies is that commercial photocopying is faster and more cost-effective. Censuring incidental private sector profit reflects little of the essence of
copyright law. Would the majority require permission fees of the Professor’s teaching assistant who at times must copy, at the Professor’s behest, copyrighted materials for dissemination to a class, merely because such assistant is paid an hourly wage by the Professor for this work?

The majority’s strict reading of the fair use doctrine promises to hinder scholastic progress nationwide. By charging permission fees on this kind of job, publishers will pass on expenses to colleges and universities that will, of course, pass such fees on to students. Students may also be harmed if added expenses and delays cause professors to opt against creating such specialized anthologies for their courses. Even if professors attempt to reproduce the benefits of such a customized education, the added textbook cost to students is likely to be prohibitive.

The Copyright Act does not suggest such a result. Rather, the fair use doctrine contemplates the creation and free flow of information; the unhindered flow of such information through, among other things, education in turn spawns the creation and free flow of new information.

In limiting the right to copy published works in the Copyright Act, Congress created an exception for cases like the one before us. When I was in school, you bought your books and you went to the library for supplemental information. To record this supplemental information, in order to learn and benefit from it, you wrote it out long-hand or typed out what you needed—not easy, but effective. Today, with the help of free enterprise and technology, this fundamental means of obtaining information for study has been made easier. Students may now routinely acquire inexpensive copies of the information they need without all of the hassle. The trend of an instructor giving information to a copying service to make a single set of copies for each student for a small fee is just a modern approach to the classic process of education. To otherwise enforce this statute is nonsensical. I therefore dissent.

MERRITT, Circuit Judge, dissenting.

The copying done in this case is permissible under the plain language of the copyright statute that allows “multiple copies for classroom use:” “[T]he fair use of a copyrighted work . . . for purposes such as . . . teaching (including multiple copies for classroom use), . . . is not an infringement of copyright.” 17 U.S.C. § 107 (emphasis added). Also, the injunction the Court has upheld exceeds the protections provided by the Copyright Act of 1976 regardless of whether the use was a fair use and is so grossly overbroad that it violates the First Amendment.

This is a case of first impression with broad consequences. Neither the Supreme Court nor any other court of appeals has interpreted the exception allowing “multiple copies for classroom use” found in § 107 of the copyright statute. There is no legal precedent and no legal history that supports our Court’s reading of this phrase in a way that outlaws the widespread practice of copying for classroom use by teachers and students.

For academic institutions, the practical consequences of the Court’s decision in this case are highly unsatisfactory, to say the least. Anyone who makes multiple copies for classroom use for a fee is guilty of copyright infringement unless the portion copied is just a few paragraphs long. Chapters from a book or articles from a journal are verboten. No longer may Kinko’s and other corner copyshops, or school bookstores, libraries and student-run booths and kiosks copy anything for a fee except a small
passage. I do not see why we should so construe plain statutory language that on its face permits “multiple copies for classroom use.” The custom of making copies for classroom use for a fee began during my college and law school days forty years ago and is now well-established. I see no justification for overturning this long-established practice.

I disagree with the Court’s method of analyzing and explaining the statutory language of § 107 providing a fair use exception. 1 Except for “teaching,” the statute is cast in general, abstract language that allows fair use for “criticism,” “comment,” “news reporting” and “research.” The scope or extent of copying allowed for these uses is left undefined. Not so for “teaching.” This purpose, and this purpose alone, is immediately followed by a definition. The definition allows “multiple copies for classroom use” of copyrighted material. The four factors to be considered, e.g., market effect and the portion of the work used, are of limited assistance when the teaching use at issue fits squarely within the specific language of the statute, i.e., “multiple copies for classroom use.” In the present case that is all we have—“multiple copies for classroom use.”

There is nothing in the statute that distinguishes between copies made for students by a third person who charges a fee for their labor and copies made by students themselves who pay a fee only for use of the copy machine. Our political economy generally encourages the division and specialization of labor. There is no reason why in this instance the law should discourage high schools, colleges, students and professors from hiring the labor of others to make their copies any more than there is a reason to discourage lawyers from hiring paralegals to make copies for clients and courts. The Court’s distinction in this case based on the division of labor—who does the copying—is short sighted and unsound economically.

Our Court cites no authority for the proposition that the intervention of the copyshop changes the outcome of the case. The Court errs by focusing on the “use” of the materials made by the copyshop in making the copies rather than upon the real user of the materials—the students. Neither the District Court nor our Court provides a rationale as to why the copyshops cannot “stand in the shoes” of their customers in making copies for noncommercial, educational purposes where the copying would be fair use if undertaken by the professor or the student personally. . . .

Turning to the effect of the use upon the potential market for or value of the copyrighted work, plaintiffs here have failed to demonstrate that the photocopying done by defendant has caused even marginal economic harm to their publishing business. As the Court concedes, the publishers would prefer that students purchase the publications containing the excerpts instead of receiving photocopies of excerpts from the publications. What the publishers would “prefer” is not part of the analysis to determine the effect on the potential market. We are to examine what the facts tell us about the market effect. The facts demonstrate that it is only wishful thinking on the part of the publishers that the professors who assigned the works in question would have directed their students to purchase the entire work if the excerpted portions were unavailable for

1 Both the majority opinion and Judge Ryan’s dissent approach the determination of whether the use at issue here is infringing solely by use of the four statutory factors set out in § 107. Neither the plain language of the statute nor the case law requires that determination to be made solely on the narrow grounds of those four factors. Because the plain language of the statute is clear concerning “multiple copies for classroom use” and because determinations of infringement are to be made on a case-by-case basis taking into consideration the reasonableness of the copying from an equitable perspective, I do not believe that the four factors are controlling. The specific plain language should be given much more weight in this case than the four abstract considerations of little relevance to copying for classroom use.
copying. The excerpts copied were a small percentage of the total work, and, as the professors testified, it seems more likely that they would have omitted the work altogether instead of requiring the students to purchase the entire work.

The use complained of by plaintiffs here has been widespread for many years and the publishers have not been able to demonstrate any significant harm to the market for the original works during that time. The publishing industry tried to persuade Congress in 1976 to ban the type of copying done by defendant here. Congress declined to do so and the publishing industry has been trying ever since to work around the language of the statute to expand its rights.

It is also wrong to measure the amount of economic harm to the publishers by loss of a presumed license fee—a criterion that assumes that the publishers have the right to collect such fees in all cases where the user copies any portion of published works. The majority opinion approves of this approach by affirming the issuance of an injunction prohibiting defendant from copying any portion of plaintiffs’ works. It does so without requiring a case-by-case determination of infringement as mandated by the Supreme Court.

The publishers have no right to such a license fee. Simply because the publishers have managed to make licensing fees a significant source of income from copyshops and other users of their works does not make the income from the licensing a factor on which we must rely in our analysis. If the publishers have no right to the fee in many of the instances in which they are collecting it, we should not validate that practice by now using the income derived from it to justify further imposition of fees. Our job is simply to determine whether the use here falls within the § 107 exception for “multiple copies for classroom use.” If it does, the publisher cannot look to us to force the copyshop to pay a fee for the copying.

The Court states that defendant has declined to pay “agreed royalties” to the holders of the copyrights. Agreed to by whom? Defendant has not “agreed” to pay the publishers anything. It is fair to label a royalty as “agreed to” only when the publisher has appropriately negotiated a fee with the copyshop for use of the copy in question.

III

The injunction upheld by the Court, as it stands now, extends the rights of the copyright owners far beyond the limits prescribed by Congress. It prohibits defendant from copying any excerpts from plaintiffs’ materials, both those now in existence and any that may be published by plaintiffs in the future, regardless of whether the entire work is appropriately protected by copyright or whether the copying is for classroom use or is otherwise a fair use. The injunction prohibits defendant from copying from copyrighted works of the plaintiffs, without regard to length, content or purpose of the copying and without any recognition that the doctrine of fair use exists. The injunction avoids the necessity of determining whether the copying is an infringement or a fair use—any copying and dissemination is forbidden. The injunction also protects future publications of plaintiffs—works that have not yet even been created—without any knowledge as to the level of copyright protection the works would normally be afforded.

The gross overbreadth of the injunction appears to violate the First Amendment.

2 Although the majority has modified its original draft of the opinion to order a remand directing the district court (1) to set out the injunction in a separate order as required by Federal Rule of Civil Procedure 65 and (2) to set forth “more precisely” the scope of the injunction, the remand instruction gives virtually no guidance to the district court about curing the overbreadth of the injunction.
The purpose of the First Amendment is to facilitate the widest possible dissemination of information. “From a first amendment viewpoint, the effect of an injunction is to restrain the infringing expression altogether—an effect which goes beyond what is necessary to secure the copyright property.” Goldstein, Copyright and the First Amendment, 70 Colum. L. Rev. 983, 1030 (1970); 3 Nimmer § 14.06[B] (where public harm would result from the injunction, courts should award damages in lieu of injunction).

In sum, the injunction imposed here—an injunction that provides blanket copyright protection for all the works of a given publisher without regard to the limitations on copyright protection—is overbroad. The injunction is inappropriate because it prohibits the public from using defendant’s copyshop for noninfringing copying of plaintiffs’ works.

RYAN, Circuit Judge, dissenting.

. . .

It is consistent with the copyright scheme to find the use of these coursepacks to be noncommercial, to presume that they do not inflict market harm, and to require the publishers to prove that MDS’s use is harmful to the value of the copyrighted works. Presuming that MDS’s copying is not harmful to the value of the copyrighted works is appropriate because the identity and content of the excerpts is controlled entirely by persons whose motives are purely educational. Only where the use of copyrighted materials is directed by those seeking financial gain from the substance-based selection is it appropriate to presume that the secondary user is capturing profits that the creators of the works expected to capture and that may be important to maintaining incentives to create new original works. Similarly, the secondary product is appropriately viewed with suspicion—and presumed to upset the creator’s incentives—when the party driving the use is primarily seeking to profit from its selections; where the selector acts in order to enrich his own coffers, it is less likely that society will benefit from his actions more than it will suffer from the resulting disincentives to create new works.

With regard to the professor-directed creation of coursepacks, it is not appropriate to presume that the practice of excerpting some materials harms the authors’ rightful market and secures a benefit only to the excerpters. The more reasonable presumption is that society benefits from the additional circulation of ideas in the educational setting when those who direct the practice have no personal financial interests that would drive them to copy beyond the parameters of purely educational, and fair, use. The professors have no financial reason to copy mere excerpts when the entire works should be assigned, and their selections should not be presumed to harm the market for the original works and lessen the incentives for authors to write or publishers to publish new works. Rather, such harm must be demonstrated. Society benefits when professors provide diverse materials that are not central to the course but that may enrich or broaden the base of knowledge of the students. Society is not benefitted by establishing a presumption that discourages professors from exposing their students to anything but complete original works even when most of the work is irrelevant to the pedagogical purposes, and students are not benefitted or authors/publishers justly compensated if students are required to purchase entire works in order to read the 5% or 30% of the work that is relevant to the course.

And so, in my view, the majority’s market harm analysis is fatally flawed: If market harm is presumed when excerpts are selected by professors and market harm is proven when fees are not paid, we have ceded benefits entirely to copyright holders when we are actually required to engage in “a sensitive balancing of interests,” Sony, between “the
interests of authors . . . in the control and exploitation of their writings . . . on the one hand, and society’s competing interest in the free flow of ideas, information, and commerce on the other hand.” The majority apparently does not really accept the firmly established principle that copyright monopoly privileges “are neither unlimited nor primarily designed to provide a special private benefit[; rather, the privileges exist to achieve] an important public purpose . . . to motivate the creative activity of authors [and] to give the public appropriate access to their work product.” . . .

I have concluded that analysis under the first factor establishes the character of the use of coursepacks as noncommercial, and that, therefore, a proper analysis under the fourth factor begins with a rebuttable presumption that the plaintiffs have suffered no market harm and thus have the burden of proof on market effect. But, even in the absence of a presumption against market effect, the fourth factor, correctly construed, weighs in favor of a finding of fair use on the record before us.

For plaintiffs to prevail, there must be at least a meaningful likelihood that future harm to a potential market for the copyrighted works will occur. In *Sony*, the Court held:

A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work. . . . What is necessary is a showing by a preponderance of the evidence that some meaningful likelihood of future harm exists.

*Sony*. Works or uses that creators of original works would “in general develop or license others to develop” make up the market for potential derivative uses. *Campbell*. The plaintiffs certainly have not demonstrated that the coursepacks affected the market for the original copyrighted works. Neither have they presented any evidence of likely harm to their potential market for derivative works, such as published anthologies. Remarkably, they have limited their showing of “market effect” to the loss of permission fees that they would like to receive from copyshops like MDS. But that is not a “market harm” within the meaning of section 107(4). To prove entitlement to permission fees, the publishers must show market harm and the market harm they claim is the loss of permission fees. MDS’s coursepacks would inflict “market harm” if they damaged the value of the original work or the value of derivative products such as coursepacks the publishers might wish to market.

The original panel opinion, now vacated, stated:

[E]vidence of lost permission fees does not bear on market effect. The right to permission fees is precisely what is at issue here. It is circular to argue that a use is unfair, and a fee therefore required, on the basis that the publisher is otherwise deprived of a fee.

The majority now claims that this charge of circular reasoning “proves too much.” The majority asks the reader to

[i]mage that the defendants set up a printing press and made exact reproductions—asserting that such reproductions constituted “fair use”—of a book to which they did not hold the copyright. Under the defendants’ logic it would be circular for the copyright holder to argue market harm because of lost copyright revenues, since this would assume that the copyright holder had a right to such revenues.

The majority’s logic would always yield a conclusion that the market had been harmed because any fees that a copyright holder could extract from a user if the use were found to be unfair would be “lost” if the use were instead found to be “fair use.” The
majority acknowledges that “a copyright owner will normally be able to complain that an asserted fair use may cause some loss of revenues in potential licensing fees” but resolves this problem by restricting its consideration of the loss of permission fees to the case of derivative markets that are “‘traditional, reasonable, or likely to be developed markets.’” Under this approach, the majority would find that the copyright holders’ monopoly over potential uses of the copyrighted works at issue in Princeton includes “the selling of permission to reproduce portions of the works for inclusion in coursepacks—and the likelihood that publishers actually will license such reproduction is a demonstrated fact.”

The majority cites Harper & Row and Campbell as support for its reasoning that the mere loss of licensing fees—to which the copyright holder may or may not be entitled—is proof of market harm. The majority notes that in Harper & Row, the plaintiff did not challenge a use (the unauthorized article’s direct quotes) based on its impact on sales of the entire work (the not-yet-published memoirs) but based on its harm to the market for the licensing of excerpts. There is a subtle but important distinction to be made between the facts in Harper & Row and the facts in this case. In Harper & Row there was proof that the copyright holder conceived of a potential derivative work (the planned Time Magazine articles) and took meaningful steps to aid in the creation of that derivative work and to capture profits from that creation. The value of the planned derivative work was harmed by the defendants’ unauthorized use of the original work; the copyright holder lost its contract with Time Magazine—and concomitant fees—for the exclusive right to print prepublication excerpts of President Ford’s memoirs when The Nation Magazine illicitly obtained a copy of the unpublished manuscript and produced a short article quoting from the heart of the manuscript. Thus, in Harper & Row, the value of the original work in a derivative market that was targeted by the copyright holder was harmed by the unauthorized use of the work. There is no similar evidence of injury to the value of a work in this case.

First, there is no evidence that the publishers, here, planned to create any products for a derivative market; no evidence, for instance, that the copyright holders sought to publish or license a competing compilation of excerpts to attract the interest, for instance, of the students in Professor Dawson’s interdisciplinary course “Black Americans and the Political System.” Second, even if there was evidence that the publishers had contemplated such a product, there is no evidence that the publishers’ derivative compilation would be devalued by defendant’s production of coursepacks; that is, there is no evidence that such a compilation would earn less because of the existence of coursepacks. In Campbell, for instance, the Court declined to find market harm based solely on undisputed evidence that the unauthorized user created a profitable product—rap-parody—from the original; the Court noted that the rap-parody version was not shown to affect the market for an authorized, non-parodic rap version of the original. It might at first appear that the publishers are, by definition, able to design and market a collection of excerpts and that the existence of other, unauthorized, collections will necessarily replace some of the authorized copies and thereby leach profits that the publishers could otherwise capture. However, neither the facts on this record nor any case law support such a leap in logic.

The fact is that the plaintiffs are not able to create a market for the product that MDS produces. To the extent that MDS serves a market at all, it is one created by the individual professors who have determined which excerpts from which writers they wish to comprise the required reading for a particular course. If the publishers decided to create an anthology of excerpts from its copyrighted works on, for example, “The Black
Experience," it would not fill the market niche created by Professor X who is interested in very different materials. Indeed, the publishers do not claim to have lost an account for customized materials with a specific professor because of a copyshop coursepack; nor do they claim to be prepared to enter this highly-customized market. The argument that the publishers seek to enter the derivative market of customized materials by licensing MDS and other copyshops, who create such compilations, and that MDS's publication of unauthorized compilations interferes with their ability to obtain licensing fees from other copyshops simply returns the publishers to their original circular argument that they are entitled to permission fees, in part, because they are losing permission fees.

The majority opinion stresses the fact that Congress "initiated and supervised negotiations among interested groups—groups that included authors, publishers, and educators—over specific legislative language [and that m]ost of the language that emerged was enacted into law or was made a part of the committee reports." However, what were not "enacted into law," but only made a part of the conference committee reports, are the Classroom Guidelines upon which the majority so heavily relies to decide how the language enacted into law applies. Indisputably, the Classroom Guidelines assure educators that nonprofit copying for educational purposes of "not more than 1,000 words" is fair use when "[t]he inspiration and decision to use the work and the moment of its use for maximum teaching effectiveness are so close in time that it would be unreasonable to expect a timely reply to a request for permission." The Classroom Guidelines "prohibit[] . . . [c]opying . . . used to create . . . anthologies, compilations or collective works." But, as the majority opinion acknowledges, that language did not survive congressional debate and was not enacted into law.

Despite the well-settled rule that legislative history is irrelevant and inappropriate to consider except to clarify an ambiguity in the text of a statute, the majority relies upon the legislative history without identifying any ambiguity in the statute, but only because "[t]he statutory factors are not models of clarity, . . . the fair use issue has long been a particularly troublesome one . . ., [and other] courts have often turned to the legislative history when considering fair use questions." I wish to emphasize in the strongest terms that it is entirely inappropriate to rely on the Copyright Act's legislative history at all.

As Justice Scalia has observed, "The greatest defect of legislative history is its illegitimacy. We are governed by laws, not by the intentions of legislators." The Classroom Guidelines do not become more authoritative by their adoption into a Committee Report. "[I]t is the statute, and not the Committee Report, which is the authoritative expression of the law." We may not permit the statutory text enacted by both Houses of Congress and signed by the President "to be expanded or contracted by the statements of individual legislators or committees during the course of the enactment process." That the Classroom Guidelines are not law should be reason enough for this court to refrain from using them to find infringement, but this is not the only reason to reject out of hand arguments based on legislative history. Committee Reports are unreliable "as a genuine indicator of congressional intent" and "as a safe predictor of judicial construction." Committee Reports do not accurately indicate congressional intent because they do not "necessarily say anything about what Congress as a whole thought," even if all the members of the Committee "actually adverted to the interpretive point at issue . . . [and] were in unanimous agreement on the point." The members of Congress who voted for the statutory language of section 107 could have had any variety of understandings about the application of the fair use factors; all we know for certain is that the full House, the full Senate, and the President, pursuant to the procedures
prescribed by the Constitution, enacted into law the text of section 107, and did not enact the standards of the Classroom Guidelines. Committee Reports do not reliably further consistent judicial construction. I subscribe wholeheartedly to Judge Harold Leventhal’s observation that “the use of legislative history [is] the equivalent of entering a crowded cocktail party and looking over the heads of the guests for one’s friends.” “We use [Committee Reports] when it is convenient, and ignore them when it is not.”

The case for copyright infringement is very weak indeed if the court must rely on the unenacted theater of Committee Reports to find infringement. The fact that Congress saw fit, very likely in the interests of political expediency, to pay unusual deference to the “agreement” of interested parties about what they would like the law to be, even to the point of declaring (but not in the statute) that the parties’ agreement was part of the committee’s “understanding” of fair use, does not affect the rule of construction that binds this court.

In sum, even if the four statutory factors of section 107 are not “models of clarity” and their application to the facts of this case is “troublesome”—a challenge of the kind federal appellate judges are paid to face every day—the four factors are not ambiguous. Therefore, we may not properly resort to legislative history. I am satisfied to rely exclusively upon the evidence and lack of evidence on the record before us and the plain language of the Copyright Act and its construction in the case law; and they lead me to conclude that MDS’s compilation into coursepacks of excerpts selected by professors is a “fair use” of the copyrighted materials.

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Notes

We include these two photocopying cases because they are an excellent exercise in applying the fair use doctrine and, in particular, in avoiding the sloppiness that lawyers often display in referring vaguely to “the use” or “the market” without actually connecting those phrases to § 107. But we also include them because they are a lovely case-study in all of the dimensions of the fair use doctrine.

• What—or whose—is the relevant “use”? (And what are the criteria by which I would know?)
• What is the relevant market? How should we think about the copyright holder’s rights over potential licensing markets?
• How does one interpret the clause “including multiple copies for classroom use”?
• How are the clauses of § 107 related to each other?
• Copyright is supposed “to promote the progress.” How does one imagine that happening in the context of a case such as this?

Judges Ryan, Nelson, Boyce and Merritt provide very different (and well-reasoned) answers to each of these questions. They differ on jurisprudential method: plain language, expanded context or purposive reading? They differ on the appropriateness of turning beyond the statute to glean Congressional intent from CONFU. They differ on the granularity of the rights copyright holders can claim over expanded licensing markets—markets beyond the original work—and the circularity of attempting to do so. They differ on the significance of coursepacks and monographs to education. Which of their arguments convinced you?
PROBLEM 13-4

You represent the 15-501 Copy Shop and the faculty of the Duke Law School. (For this purpose, you may ignore any potential conflicts of interest involved.) Both are being sued for copyright infringement by the Harvard Law Review. The law school faculty has a single institutional subscription to the Harvard Law Review. When the most recent issue arrives, it is sent to 15-501, where the table of contents for each issue is copied and circulated to the faculty. Faculty members mark off on the table of contents any article they are interested in seeing. 15-501 receives these orders and then sends the individually labeled photocopies to the Duke Law School mail room, from whence they are distributed directly to the professors’ offices. The Duke faculty has a large appetite for law review articles and this convenient procedure merely whets it; while no-one asks for copies of the entire review, individual articles will often be copied for twenty or thirty professors. Typically, professors pile these photocopies up in large, unstable piles in their offices. Eventually, they go through a batch, discarding most, annotating some and writing indignant rebuttals to others, rebuttals that may be published themselves, thus completing the cycle.

Like most law journals, the Harvard Law Review is believed by its critics to have all of the central features of a vanity press—that is to say, a press that does not pay its authors, takes their copyrights, makes editorial changes to the work submitted (in this case, adding useful footnotes that substantiate disputed points, such as the correlation of poverty with the absence of wealth), and finally charges the authors for copies of their own work—known as “reprints”—which the authors then give away for free, apparently believing that they will be read. The Law Review claims copyright over both the individual articles and to each issue as a whole. Despite the fact that its editorial labor and authorial content are effectively “free,” Harvard Law Review currently runs at a loss, like most law reviews, and is partially subsidized by its host institution, a university near Boston. It makes some money by selling subscriptions at high rates to institutional subscribers and at lower, but still expensive, rates to individual lawyers. It also makes a fairly substantial amount of money from “permission fees” paid by those who wish to include an article or a fragment of an article in a casebook or reader. Finally, it receives a considerable amount of money annually from Eastlaw, an online research service, for providing Eastlaw with a complete, fully searchable database of its articles.

The Duke faculty have free subscriptions to Eastlaw and could, if they wished, print any article directly from the database—though without the law review’s attractive textual features, such as footnotes at the bottom of the page. Harvard Law Review does not currently have any service to license individual photocopies of individual articles though such a scheme might be technically possible—perhaps by direct download of a facsimile version from the Web—but the editor in chief claims that she may “look into it,” depending on the outcome of this litigation.

The proprietor of 15-501 is very upset; he had assumed that “anything done by a bunch of lawyers to their own books must be legal.” He asks you if he will be liable for copyright infringement. The Duke faculty is also upset and have turned to you for legal advice; they claim that this kind of copying happens all the time behind the veil of ignorance, that it is protected by the First, Second and perhaps the Ninth Amendments, that the Warren Court, the Pre-Socratic philosophers and
the Jacksonian Democrats would never have objected, that it is a Pareto superior allocation of entitlements and, in the alternative, (and you may concentrate your analysis here) that it is a fair use under section 107 of the Copyright Act. You may presume that you are in a Circuit that is not bound by the decision in *Princeton* but is carefully attentive to all the arguments made there.

In your answer try hard to use the traditional common law skills of marshalling and distinguishing cases. On what aspects of this question would you focus to make this case seem less defensible than the copying in *Princeton*? More defensible? Be very clear about the following questions.

a.) What is the relevant “use” for the analysis? Explain what both the plaintiff and the defendant would say and the reasons why they would claim that their definition of use is the correct one.

b.) What is the relevant work?

c.) The relevant market for the work? Is it static or dynamic? Can a copyright holder claim all markets he might one day enter as relevant to the calculation? If not, how is the ambit of possible future markets to be limited?

Finally, hypotheticals (such as exam questions) often tweak the facts of an existing case to present a conflict more clearly or to come closer to some dividing line. Which of the “tweaks” to the facts in *Princeton* in this hypothetical is most favorable to the plaintiff? The defendant?

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**Conclusion**

You are now experts in fair use—or at least considerably more expert than you were when you began the chapter. Fair use is a heated topic around the world. The United States is unusual in having such a flexible and open-ended limitation on copyright. A number of jurisdictions, including the UK, Ireland and Australia have considered whether they should introduce some version of fair use into their copyright laws, as part of attempts to ‘revamp copyright for the digital age.’ The concerns addressed are often technological; the founders of Google are reported to have told the British Prime Minister that they could not have created the company without the protection of fair use. But they are also speech-related, and sometimes this involves speech that is enabled by a particular technology, such as an unauthorized YouTube remix. We would like you to answer some of those questions for yourself.

- What do you think of the current state of the fair use doctrine?
- Is its open ended, flexible and adaptable framework a strength or a weakness?
- Does it provide adequate protection to copyright holders?
- Adequate guidance to potential fair users?
- Adequate space for technological innovation? Focus here particularly on the line from *Sony* through *Sega* to the search engine cases.

We will begin the next chapter with a case-study that raises many of these issues, and that links back to the place we began this chapter: *Sony* and its connection of fair use to contributory infringement. Finally, for those of you needing a light hearted review of the fair use doctrine, you can try the free online comic book, *Bound By Law*.‡

‡ Keith Aoki, James Boyle, Jennifer Jenkins, *Tales from the Public Domain: Bound By Law?* [http://law.duke.edu/cspd/comics/zoomcomic.html](http://law.duke.edu/cspd/comics/zoomcomic.html)