

Session 9C

Emily C. & John E. Hansen Intellectual Property Institute

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SESSION 9: COPYRIGHT LAW

9C. Fair Use

Moderator:

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Western Union, Denver

Speaker:

Pierre N. Leval
U.S. Court of Appeals for the Second Circuit, New York
***Transformative Value and the Tradeoff with Fourth Factor Harm
as Reflected in Recent Decisions***

Panelists:

Jane C. Ginsburg
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Terry Hart

Copyright Alliance, Washington, D.C.

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The University of Texas, School of Law, Austin

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MR. RUSSELL: Good afternoon, everyone. Welcome to what is the final session of this wonderful conference. It has been a really great one, and what a great way to put a bow on this year's Fordham IP Conference with this exquisite panel. This is, of course, fair use.

In terms of structure, we have a lot of ground to cover and not much time to do it. I'm hoping to cover four basic areas of fair use today:

- (1) Fair use and transformativeness;
- (2) Fair use, functionality, and other limiting aspects of copyright;
- (3) Fair use and what I also call "Is it spreading?" — global perspectives;
- (4) Taking a step back and looking at the things we have discussed from a broader population perspective, practical considerations, if we have time, to sum up. Oh, the places we'll boldly go!

But we'll first go where many have gone before with transformativeness in these types of panels and in courts and also at cocktail parties. Without further ado, Judge Leval, do you want to kick us off?

JUDGE LEVAL: Thank you. I am going to talk briefly about two recent Second Circuit cases which I think have contributed significantly to the understanding of fair use, *TCA Television v. McCollum*¹ and *Fox News v. TVEyes*².

TCA involved the copying of Abbott and Costello's famous, riotously funny *Who's on First?* routine. If anybody doesn't know about it, it is a side-splittingly funny, adored chestnut of American humor.

The plaintiffs were the Abbott and Costello heirs. The defendants were the writer and producers of a new play entitled *Hand to God*.

In the play, the protagonist (Jason), trying to make tracks with a girl (Jessica), engages with his hand puppet in a dialogue that reproduces the Abbott and Costello *Who's on First?* routine. The audience, of course, laughs, and Jessica is impressed. She says, "That's really good. Did you make that up by yourself?" He says, "Yes," whereupon the puppet intervenes, "Liar," and Jason then fesses up.

The defendants contended that their appropriation was fair use. It was transformative, they argued, in that it drove the character development and the complexity of the relationships. They also contended that the appropriation communicated *a dark view of the mores of contemporary society*. I find it's not unusual for appropriators to argue validation on the ground that the appropriation communicates a dark view of the mores of contemporary society.

The district court found fair use, but the court of appeals was not buying it. The extensive copying milks the very laughs that were the objective of the original. Re-presenting a work to communicate the original intention of the authors is not a transformative use.

But what about the defendant's claim that the copying was a transformative dynamic to develop the play's plot and the relationships between the characters? The court's answer to that contention I think is a point of major interest for fair use. Invoking a standard that was put forth in the Supreme Court's *Campbell*³ opinion, the court noted

¹ *TCA Television Corp. v. McCollum*, 839 F.3d 168 (2nd Cir. 2016).

² *Fox News Network, LLC v. TvEyes, Inc.*, 883 F.3d 169 (2nd Cir. 2018).

³ *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).

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that the defendant's quotation of the routine had "no critical bearing" of any kind on the original, which the play "merely use[d] to get attention."

This was an important but underappreciated point in the Supreme Court's *Campbell* ruling. Speaking of the important difference between parody and satire, *Campbell* explained parody quotes from the original in a mocking or ridiculing way to communicate a critique of the original. Parody requires quotation to make critical points about the original, and the commentary about the original is the justification for quoting it.

In contrast, what Justice Souter referred to as satire is taking from an original to make the copier's independent point, which is not about the original. It's not a commentary on the original. Such an appropriation piggybacks on the fame and felicity of the original to give punch or humor to the copier's message, and the Supreme Court questioned the justification for such an appropriation.

The *Campbell* Court put those observations in terms of parody vs. satire because the defendant was claiming the well-established protective mantle of parody as a fair use. But the importance of the observations goes way beyond the difference between parody and satire. It addresses a common form of copying that is neither parodic nor satirical, where one piggybacks on a famous song, poem, passage, or logo — with some changes — playing on audience recognition of the original to give punch or humor to the new message, which otherwise is not in any way a commentary on the original.

The *TCA* opinion found no justification. Its pushing of this important lesson from *Campbell* beyond parody vs. satire I think is an important marker for the understanding of fair use. The takings most likely to win the first factor are those that contribute something transformative *about* the original, not those that piggyback on it.

Another valuable lesson from the *TCA* opinion is its treatment of commercial use by the copier. One of the worst gaffes in the history of fair use was the Supreme Court's off-the-cuff dictum in *Sony*⁴ that commercial uses are "presumptively" not fair uses. This made no sense whatsoever. The most universally agreed, noncontroversial examples of fair use — such as quotation in book reviews that are published in newspapers that are sold for profit, quotation of historical figures in textbooks — all of that is commercial. Courts regularly ignored the confusing, unhelpful dictum from *Sony* until the Supreme Court essentially disavowed it in *Campbell*.

In *TCA* the issue arose in a special light. The play's repetition of the *Who's on First?* routine had been used not only in the play but in advertisements for the play. So, while the play itself was commercial in the conventional manner of most published works and most fair uses, the use of the copied routine *in advertising* for the play could be said to be commercial squared. The court did not count against fair use that the play was performed for profit, but it did count against fair use that the display of the copied routine appeared in advertising, which I think is a sensible interpretation of the limited significance of the mention of commercial use in the statute's first factor.

I turn to *Fox News v. TVEyes*, which, to my mind, importantly clarifies priorities in fair-use analysis.

⁴ *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

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The case involved what might be called “technological transformation.” Technological transformation, although not described in anything like those terms, entered the fair-use jurisprudence back in the mid-1980s with the Supreme Court’s *Sony* decision. *Sony* established that video copying from a TV transmission could be fair use where a watcher who owned the right to watch the TV program taped it so as to watch it once at a more convenient time.

Back then, when fair use was generally viewed as critical commentary or parody, a finding of fair use based on a copying that neither changed, nor commented on, the original, but merely re-presented the original in its entirety, seemed like a puzzling one-off. But twenty years later, with the arrival of the digital age, a wave of court of appeals opinions — *iParadigms*⁵, *Arriba Soft*⁶, *Perfect 10*⁷, *HathiTrust*⁸, and *Google Books*⁹ — very similarly found fair use based on technological transformations without change or commentary, where no significant fourth-factor harm to the original resulted. *Sony* now appears to have been not a one-off, but a farsighted precursor. It has become mainstream transformative in conventional fair-use analysis.

The *TVEyes* case arose against that background. The plaintiff, Fox News, was the owner of copyright-protected TV content that was being broadcast throughout the United States. The defendant, TVEyes, was marketing an ingenious invention that pushed far beyond Sony’s analog time-shifting technology. For deep-pocketed customers motivated to be informed of everything that appeared on TV throughout the nation dealing with some particular subject matter of interest to them, TVEyes offered its subscribers (at an expensive price) digital technology to accomplish that by a system that utilized TV’s closed captioning.

On the defendant’s website, a subscriber who wanted to know everything being said on TV about Tylenol, could type the word “Tylenol” into the search box, and instantly the site would reveal a minute’s worth of closed captioning surrounding every televised mention of Tylenol throughout the United States. Then, by clicking on a link, the subscriber could watch an extendable ten minutes of the original TV transmission. This enabled the defendant’s customers at any convenient moment to watch transmissions that would not have been accessible in their home locations. The service thus included not only the time-shifting capability that was offered by Sony but, in addition, it made all of the nation’s TV markets accessible on the customer’s computer and targeted the precise minute of broadcast that is of interest to the subscriber. This was unquestionably a huge technological efficiency enhancement.

Nonetheless, the court of appeals rejected fair use. A big difference between this case and *Sony* was that the defendant’s customers and TVEyes’ customers did not own the right to watch the plaintiff’s transmissions. The defendant was selling a competing substitute and in doing so inflicting significant fourth-factor harm.

⁵ A.V. ex rel. Vanderhye v. iParadigms, LLC, 562 F.3d 630 (4th Cir. 2009).

⁶ Kelly v. Arriba Soft Corp., 336 F.3d 811 (9th Cir. 2003).

⁷ Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146 (9th Cir. 2007).

⁸ Authors Guild, Inc. v. HathiTrust, 755 F.3d 87 (2nd Cir. 2014).

⁹ Authors Guild v. Google, Inc., 804 F.3d 202 (2nd Cir. 2015).

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So what was the precedential landscape for a controversy that pits a copying that delivers big technological enhancement in accessibility and utility of the plaintiff's transmissions against a substantial fourth-factor harm?

The Supreme Court had asserted emphatically in *The Nation*¹⁰ that the fourth factor is "undoubtedly the single most important element of fair use." Then *Campbell*, while stating that all four factors have to be balanced together, did not contradict *The Nation*'s assertion of fourth-factor dominance.

My court's ruling in *Google Books* reinforced it. While we found fair use in a powerful technological tool that assisted researchers in identifying the books that were responsive to their interests (while not allowing users to read the books), we made clear in *dictum* that we would have found infringement if the technology had allowed them to read the books. There would have been infringement notwithstanding the powerful transformative technology.

The *TVEyes* decision reinforces the comparative dominance of the fourth factor, whose recognition might have slipped somewhat in the aftermath of *Campbell*'s anointing of the significance of transformativeness. Statistical studies in the last decade have suggested that transformativeness might have acquired excessive importance in adjudications. I certainly do not deny the importance of transformativeness. It may well be essential to a finding of fair use.

But transformativeness cannot guarantee fair use. The first and fourth factors must be balanced, but the fourth factor is dominant. Copyright prizes protecting the author's entitlement to profit from her writings. The *TVEyes* ruling helps to restore fourth-factor priority, if it was ever in doubt.

In conclusion, the *TVEyes* decision invites a very interesting question: What would the result have been if the defendant had offered its service only to customers who purchased authorized access to the TV content? If those had been the terms of the defendant's offer, the case would be difficult to distinguish from *Sony*.

On the other hand, Professor Ginsburg has pointed out to me that, if *Sony*'s facts were presented today, in a marketplace where the content owners (or their licensees) are selling their customers the time-shifting technology that provided fair-use justification for *Sony*'s Betamax, the fair-use analysis might come to the opposite conclusion, like the *TVEyes* opinion.

Thank you.

MR. RUSSELL: Judge Leval, in the *TCA* case, do you have any thoughts on why it was important for the Second Circuit to clarify the bounds and meaning of transformativeness, given the posture of the case with the court below finding that the copyright had lapsed but yet still weighing in on clarifying that?

JUDGE LEVAL: I can't answer that. You are correct that it could all be characterized as *dictum* because the case was decided on an entirely different basis, but fair use had been vigorously argued. I don't know what went on in the workings of the panel, but I am glad they did it because I think the discussion was a valuable clarification of law regardless of whether it is in *dictum*.

¹⁰ Harper & Row Publishers, Inc. v. Nation Enterprises, 471 U.S. 539 (1985).

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MR. RUSSELL: With the *TVEyes* case, you also mentioned its reference to *Sony Betamax* and that being a transformative case, and you thought it was, and the majority agreed with that as well, but then Judge Kaplan seemed to call that into question.

Terry, do you have any thoughts on the *Sony Betamax* case and its transformativeness?

MR. HART: Yes. I thought it was an interesting discussion that came up, and I know Judge Leval in a later decision reinforced the idea that *Sony* was transformative, even though the decision itself had come out prior to the *Campbell* decision where the Supreme Court first adopted the notion of transformativeness.

In a concurrence, Judge Kaplan questions this — *Wait. When did Sony become transformative? This is just kind of wholesale copying. Yes, it's being done for a purpose that is recognized as a fair use, but it seems to be a non-transformative purpose* — and he cites a number of other cases where this kind of copying was taking place.

I think you also see in the fair-use statute itself, in the preamble where it is listing the types of uses that might be considered fair use, certainly criticism and commentary would fall into that transformative bucket; but then there are other types of uses — reproduction in libraries, reproduction for classroom uses — where it is a fair use but there is not really anything changing as far as the work goes; it is just being copied for convenience or for utility. I think, if I understand Judge Leval's point, that that additional utility makes it transformative, and perhaps that's what transformativeness means.

But I think there is also some usefulness to distinguishing between transformative fair uses and non-transformative fair uses so as to maybe provide a bit more guidance to other judges out there who are considering new types of fact patterns or new types of technological uses, who don't have just "is this is transformative or is this not?" They can sit down and say: "What is this doing? What is it most analogous to? Does this line up with what we would consider traditional fair uses whether in the transformativeness bucket or the non-transformativeness bucket?"

MR. RUSSELL: I can see that the Second Circuit in choosing to clarify the role and balance of transformativeness is trying to provide guidance, which is often in question sometimes, at least nationally.

Any other thoughts on the *TCA* case or deriving from Judge Leval's presentation?

PROF. GOLDEN: I found it interesting how Judge Leval suggested that, in the cases, transformativeness might be necessary but that the fourth factor was primary. Can you elaborate on what you mean by that? If transformative, at least to some degree, is necessary — you could say it is a threshold issue; it has to be satisfied — then couldn't it be argued it would have to be, at least at the threshold, at least as important as the fourth factor in some sense?

JUDGE LEVAL: Why? Why does it have to be as important as the fourth factor merely because it is necessary?

PROF. GOLDEN: Well, if it is necessary.

JUDGE LEVAL: Transformative use can be necessary for copying to be eligible for fair use without guaranteeing a finding of fair use. A transformative use is not necessarily going to win because, if it causes substantial fourth-factor harm, that fourth-factor harm to the value of copyright is going to prevail.

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While the word “transformative” was newly applied in *Campbell*, what the word was doing in *Campbell*’s analysis was looking for what kinds of copying uses have been of the sort that the copyright law has deemed capable of justifying the copying. The fact that *Sony* did not use the word “transformative” does not mean that it wasn’t thinking along the same lines as *Campbell*, looking to the kinds of considerations that have justified copying.

MR. RUSSELL: Judge Leval, since we have a bit of time for discussion, I want to ask about a recent *Stanford Technology Law Review* article¹¹ that did an empirical study of all of the transformative cases, the cases that came after your famous *Harvard Law Review* article¹², where they considered transformativeness and did an empirical study of those. Two of the statistics are: 90 percent of all fair use cases since 1990 involved transformativeness analysis and 94 percent of all cases finding transformativeness resulted in a fair use finding.

I think you started to address it, but how do you see the transformativeness element not as a one-factor test, as this article seems to suggest, but fitting within the other factors?

JUDGE LEVAL: The Stanford article and the statistics are interesting, and they make an argument that transformativeness has acquired excessive importance. If such a high percentage of findings of transformativeness result in a finding of fair use, probably transformativeness is being given too high a value. That may well be right. Nonetheless, I think that there are considerable problems in the observations of the Stanford article.

For one thing, making a statistical analysis of the number of decisions fails to give proper recognition to the fact that a number of erroneous district court rulings of the sort that I discussed in *TCA* and *TVEyes* — either not getting correct what should be deemed transformative or attaching too much importance to it — have been largely corrected by reversals in the courts of appeals. I talked about two. Jane is going to talk about another later.

The statistical analysis doesn’t consider *Campbell*’s illuminating discussion of the parody/satire distinction, which restrains repetition of prior errors counted in the statistics.

But another thing about the Stanford article that I think is truly bizarre is its proposition that emphasis on transformativeness has detracted from emphasis on things like commercial, bad faith, and the second factor. The reason that courts don’t much discuss commercial, bad faith, and the second factor is that they are not helpful in the fair-use analysis.

What transformativeness has done is that finally, after generations of fair use existing without precedential guidance as to what sort of “purpose and character of the use” is favored, it has suggested, in a term that is certainly neither precise nor perfect, a direction that gives some understanding to the first factor. All the first factor tells you is, “Look at the purpose and character of the use.” But what purpose and character? It doesn’t tell you what kind of purpose or character is helpful to a finding of fair use, and transformativeness is a nudge in a direction that is helpful in the analysis.

¹¹ Jiarui Liu, *An Empirical Study of Transformative Use in Copyright Law*, 22 *Stan. Tech. L. Rev.* 163 (2019).

¹² Pierre N. Leval, *Toward a Fair Use Standard*, 103 *Harv. L. Rev.* 1105 (1990).

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The Stanford article says we would be better off without transformativeness, if judges were just taking every case as a one-off and deciding for independent reasons without any structural framework: “This one passes; this one doesn’t.” I don’t think that is law. I think law involves at least the attempt to formulate consistent doctrine of universal application.

MR. RUSSELL: The Supreme Court has made clear that all four of the factors are to be weighed in the analysis. Any views on what place the second factor currently has in terms of the nature of the work?

PROF. GOLDEN: The courts seem a bit schizophrenic on the second factor. Sometimes, as in the *TCA* case cited by Judge Leval, *TCA Television Corp. v. McCollum*, you will see a court seem to take it seriously; but in *Fox News Network, LLC v. TVEyes, Inc.*, as in the recent Federal Circuit opinion in *Oracle America, Inc. v. Google LLC*,¹³ you see the court saying that the second factor is rarely significant in the fair-use analysis and treat the factor fairly dismissively. Judge Leval has likewise indicated that it’s not so helpful.

I find this interesting. I am not sure it is an absolutely necessary conclusion. To me it makes sense, at least, that you could view the second factor as significant. I think it depends in part on how you think the fair-use analysis is supposed to go.

If you think, as the Supreme Court suggested in *Campbell v. Acuff-Rose Music, Inc.*, that you can identify when a work is in the core of what copyright law is supposed to protect, you might say with respect to such core works, “We are going to be more reluctant to find that the fair-use balance weighs against the copyright holder.”

If something is more peripheral, just on the border of what might have been found to be copyrightable subject matter, it doesn’t seem crazy to me to think that you might say, “We are going to be more willing to find that the fair-use balance tips against copyright protection being effective in this case.”

I can imagine a design choice either way. To me, it certainly can make sense to have the nature of the work be a more significant factor than courts sometimes suggest. In any event, it is interesting how the courts can seem to treat it differently from case to case.

MR. RUSSELL: Anyone else want to pop in?

JUDGE LEVAL: What I think has rendered it insignificant is that courts always look at it, they always address it — because they are told, “You should, it’s one of the factors” — again and again and again, they look and do not find anything in it that helps them reach a decision. That’s why it has come to be treated as insignificant. I don’t disagree that it could conceivably be significant in a particular case, but that hardly ever happens.

MR. RUSSELL: Professor Ginsburg?

PROF. GINSBURG: I think the second factor had some value before it was clear how to deal with unpublished works. Before the 1976 Act, there were no cases on fair use of unpublished works because federal copyright law did not cover unpublished works. The *Harper & Row* case was brought largely to establish the principle that if the work is

¹³ *Oracle America, Inc. v. Google LLC*, 886 F.3d 1179, 1205 (Fed. Cir. 2018).

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unpublished, the likelihood of a finding of fair use substantially diminished because it is not fair to take the work out from under the author and publish it first.

Subsequent to the Supreme Court's ruling in *Harper & Row* stressing the importance of the unpublished nature of the work, lower courts went a little overboard in creating an absolutely bright-line rejection of fair use. As a result, Congress amended Section 107 to specify that a work's unpublished status did not preclude fair use so long as the other factors are taken into account.

Once you take the published/unpublished nature of the work out of the equation, I agree that the second factor may not be doing much work. The proposition that the more expressive the work the less subject it is to fair use does not make sense; cases involving parody and other forms of criticism or comment tend to concern highly expressive works.

If the work has a thin copyright because of its factual content, it is not going to get that much protection upfront anyway. Once the unpublished nature of the work is no longer a matter of considerable discussion, it is not clear that the second factor actually adds that much.

MR. RUSSELL: Terry?

MR. HART: To build off what Jane said, I think when courts are going through all four factors, a lot of what the second factor is supposed to cover is somewhat redundant with the other factors. But if you are dealing with a work that is not really at the core of what copyright is supposed to protect, they are probably not going to see a lot of market harm with someone copying that. If it is like a student's test paper, that will not be given a lot of weight under the second factor; but it also won't be given a lot of weight under the fourth factor. So it is kind of redundant.

I do have two thoughts about directions we might go to give the second factor more work to do. One is troubling and one might be promising.

The troubling one is: If courts do place more emphasis on the expressive nature of the work — and you see this sometimes in photography cases, where they give short shrift to the type of creative choices that go into photography and say, "Oh, this is just someone pointing a camera at something; this is a factual work" — under the second fair use factor that tends to weigh in favor of fair use. That weakens the copyright protection for a lot of photographers, specifically photographers who might be engaged more in stock photography and less creative fine art photography. That's the troublesome avenue that the second fair use factor might sometimes take.

But I do think there might be some promising areas for the second fair use factor for those who might be interested in seeing fair use applied more broadly and in more areas that are not really at the core of copyright protection but might not be addressed with limitations and exceptions.

For example, there was one proposal in a law review article that suggested the age of the work should be incorporated into the second fair use factor determination so that if a work is older but still protected by copyright, maybe that will tend to weigh more in favor of fair use; whereas if a work is newer but it is still commercially exploited, that would weigh less in favor of fair use.

You could think of maybe not just the factual nature of the work or the amount of creativity, but these other dimensions of copyrighted works under the second fair use factor that might help guide the fair-use inquiry to get fairer results.

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MR. RUSSELL: That is certainly interesting, especially given the duration debates that we have had recently.

Judge Leval, do you want to close us out on this subset of our discussion?

JUDGE LEVAL: I actually have a suggestion as to the utility of the second factor, but I have never been able to get anybody to pay attention to it.

The second factor, in combination with the first, recognizes that the concept of transformativeness inherently makes a comparison between the copying work and the copied work. This is illustrated by *TCA*, the *Who's on First?* case that I talked about. What was the nature of the original? It was a funny joke; it was a funny routine; its purpose was to make people laugh. That is the second factor. What was the purpose and character of the copying work? It took that funny joke and used it to make people laugh at the original joke. That is a comparison of the two works.

So I think that the notion of transformativeness, although generally considered as a part of factor one analysis, inevitably considers the nature of the original together with the purpose and character of the copying work. Courts have regularly given great importance to the second factor, but they have done so in talking about the first factor. When they come to the mandatory discussion of the second factor, there was nothing further to say.

MR. RUSSELL: Transitioning slightly, just a slight pivot, there is a recent case out of the Ninth Circuit on transformativeness of a photo search engine. Terry had mentioned photography and perhaps different treatment there.

Professor Ginsburg, do you want to give us a summary of your views of this new case out of the Ninth Circuit?

PROF. GINSBURG: I would first like to step back to make some broader observations to set the context of that Ninth Circuit decision. In addition, the Fourth Circuit today handed down its decision in another fair use case, *Brammer v. Violent Hues*¹⁴

Both of these cases are examples of the kinds of cases that Judge Leval was talking about: in *Brammer*, a case that was not a technological fair-use pretender; and in the Ninth Circuit's *VHT v Zillow*¹⁵ decision, a case which was a technological fair-use pretender.

Over the years, transformative use has been broken down into two different kinds of transformation. One kind of transformation concerns new works: has the defendant created a new work which transforms the copied material? The other kind concerns new purposes: is the purpose of the work — which might have been copied in its entirety — a purpose that gives new meaning or message to that work? These two types of transformativeness implicate different analyses.

A great copyright litigator, Dale Cendali, has encapsulated the difference in two particularly apt aphorisms.

With respect to the “new work” sort of transformation, she asks: “Did the defendant take too much and do too little with it?” The *TCA* case nicely exemplifies the application of that aphorism. Defendants took the entire “Who's on first?” routine and

¹⁴ *Brammer v. Violent Hues Productions, LLC*, 922 F.3d 255 (4th Cir. 2019).

¹⁵ *VHT, Inc. v. Zillow Group, Inc.*, 918 F.3d 723 (9th Cir. 2019).

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basically didn't do anything with it; they took it for the same purpose as the original work, even if putting the routine verbatim in a different context might have given it a slightly different cast.

The other aphorism neatly summarizes the appropriate inquiry for technological fair use cases. Dale Cendali inquires whether the defendant's purpose is "finding or delivering" copyrightable expression. What may be fair use as to finding is not necessarily fair use as to delivering. In focusing on delivery, a court asks, What is the output?

TVEyes offers a good example of the distinction: the search aspect of *TVEyes* — that is, copying for the purpose of indexing all the television clips — ultimately was not at issue in the case. Rather, the question was whether what was delivered — ten minutes of output — was too much; ten minutes, moreover, for essentially the same purpose as the original clips (most of which lasted well under ten minutes). Focusing on the output, on what is being delivered, may rein in a number of technological fair use claims.

The Ninth Circuit's *Zillow* case illustrates this analysis. The case involved a claim by VHT, a photo service, against Zillow. Zillow has a database of images of real estate and another database called Digs that shows interiors of the houses that are on the Zillow database.

It is not entirely clear how the pictures got into Zillow's listings in the first place — if they were licensed, but not for the Digs site — nonetheless, Zillow then indexed all those images in order to allow them to come up in the search for Digs.

When the copyright owner of those photographs claimed that use was not authorized, Zillow retorted that its use was per se fair because Zillow is a search engine. If a search engine, then fair use; see *Kelly v. Arriba*, see *Perfect 10*, see *Google Books*.

Ninth Circuit Judge Margaret McKeown demurred: "It does not suffice to assert 'I'm a search engine, end of question.'" Rather, she looked at the output of the searches. She distinguished prior search engine cases in which the output was a non-substitutional thumbnail photo; or, as in *Google Books*, where the output was either no expression at all or merely "snippets" which were not substitutional and indeed could not be cumulated into a full page that might be substitutional in some way. So search is not the end-all; what matters is the delivery. In the earlier cases what was being delivered was not substitutional.

In the *Zillow* case, by contrast, what was being delivered was a high-resolution, full-quality photograph which competed with the plaintiff's licensing of those photographs for uses that included exactly the kinds of uses Zillow was making of those photographs.

Let's return to the *Brammer* case, which also involved photographs, but not a technological new use. The plaintiff had taken a photograph of the Adams Morgan neighborhood by night. He posted it to Flickr with a copyright notice "all rights reserved." That didn't seem to matter to the defendant in that case, who incorporated that photograph with two other images to illustrate local tourist attractions in connection with an arts festival near Washington, D.C.

The district court found that the use was non-substitutional because it was an informational use of the photograph; and did not cause harm to the plaintiff because the

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plaintiff, even after this infringement had occurred, had managed to engage in some licensing of that same photograph.

The district court's opinion proves Judge Leval's point that looking at the total number of transformative use cases may be misleading because appellate courts correct some fairly grave errors of the lower courts. In *Brammer*, the appellate court did not find that the use was transformative. The court distinguished cases where the work — essentially the entire photograph — was being used for technological purposes or for documentary purposes; neither of which was true in the *Brammer* case.

The Fourth Circuit in rejecting the characterization of the use as informative, and therefore transformative, stated: "Such a use does not necessarily create a new function or meaning that expands human thought. If this were so, virtually all illustrative uses of photography will qualify as transformative. That can't be right."

On the fourth factor, the district court effectively ruled that if the defendant did not entirely destroy the plaintiff's market by making an unlicensed use, then the fourth factor favors the defendant. The Fourth Circuit rebuked: "That cannot be correct. If the mere fact of subsequent sales serves to defeat a claim of market harm, then commercially successful works could hardly ever satisfy this factor."

If some district courts may be going a little bit off the rails, nonetheless, as Judge Leval indicated, there does seem to be a salutary corrective tendency in the courts of appeals to rein in some of the excesses of transformative use.

MR. RUSSELL: There's a ton we could say. This is not a transformativeness panel; it is a broader fair use panel. I'm hoping to use our time to branch out into some other aspects.

Putting things together a bit, Professor Golden, why don't you say a little bit about the relationship between fair use and other limiting doctrines?

PROF. GOLDEN: This is related a little bit to our earlier interchange on what the significance of the second factor could be.

I think it is a potential issue for the Supreme Court in the *Oracle v. Google* case, where in the current petition they are asked to look at issues of copyrightability and fair use.¹⁶

At the Federal Circuit level, we saw the Federal Circuit trying to compartmentalize various copyright doctrines, as it often has done with patent law doctrines, sometimes with positive, clarifying effect. A lot of patent law doctrine is more comprehensible than it was when the regional circuits were dealing with it in the 1970s.

I think this is an area where we can have a fundamental battle regarding the extent to which you allow some redundancy between legal doctrines. Functionality can be significant at the stage of wondering about copyrightable subject matter; and then there can be a question of how significant functionality or functional aspects of a work should be in the fair-use analysis, whether through the second factor, the functional nature of a work such as software, or through the other factors, even if you do not think the second factor has much independent force.¹⁷

¹⁶ Petition for a Writ of Certiorari at (I), *Google LLC v. Oracle America, Inc.*, No. 18-956 (Jan. 24, 2019).

¹⁷ *Cf.* Oren Bracha & John M. Golden, *Redundancy and Anti-Redundancy in Copyright*, 51 CONN. L. REV. (forthcoming 2019).

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Google's petition suggests both arguments, as you might expect, noting that the second factor favored a finding of fair use and also contending that the Federal Circuit erred in not considering the significance of the functionality of software throughout its fair-use analysis.¹⁸

I think fair use is sometimes viewed as sort of a cure-all for all concerns about copyright, with an implication being that we do not need an improper appropriation doctrine or a copyrightable subject matter doctrine being vigorously applied in order to protect us from overreaching copyright.

I tend to think there is value in having redundancy here, but if the Supreme Court grants *certiorari*, we might see the extent of redundancy between doctrines of copyrightability and fair use fought over and maybe clarified.

MR. RUSSELL: Very quickly,¹⁹ given the *Google v. Oracle* case and the fact that it was sent to the jury and then JNOV¹⁹, how do you view the role of judges and juries in the fair use space?

PROF. GOLDEN: That's an interesting question. I would really be more interested in what practicing judges or practitioners who have dealt with juries in these cases view as the better way to go.

David Nimmer has highlighted the fact that when we look at all the big fair-use cases in the past, they have all been ones where a judge was the initial decision maker, whether it was because the case involved a bench trial, because the relevant trial-level decision occurred on summary judgment, or at a preliminary injunction stage of proceedings, or otherwise.²⁰

He characterizes *Oracle v. Google* as "perhaps the most famous" fair-use case where we had a jury trial.²¹ He suggests that there might be a trend toward using jury trials more, in part because of some of the decisions of the Second Circuit which have highlighted factual questions that can be raised through a dispute over fair use.²²

To me, if you look at our general Seventh Amendment law, when there are genuine issues of material fact in dispute, it seems a jury is a natural place where fair-use analysis could end up.

On the other hand, as a practical matter — and this is highlighted in David Nimmer's analysis — often these issues are dealt with more at the summary judgment or the injunction stage.²³

Again, I would be interested in the perspective of people who have dealt with this in practice, in their sense of the utility of juries and whether we are likely to see juries become more prominent.

MR. RUSSELL: Perhaps we can talk more about this if we have time at the end, unless we can bring the wine and cheese into the room for the reception.

PROF. GOLDEN: Maybe offline.

¹⁸ Petition, *supra* note 16, at 23–24.

¹⁹ Judgment notwithstanding the verdict.

²⁰ See David Nimmer, *Juries and the Development of Fair Use Standards*, 31 HARV. J.L. & TECH. 563, 565–67 (2018).

²¹ *Id.* at 596.

²² See *id.*

²³ See *id.* at 566–67.

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MR. RUSSELL: Can we do that? Wine and cheese? No.

To transition to Silke — sorry to keep you out, but we were trying to lay the groundwork — from an international European perspective, do you want all this craziness? Is this some fun?

MS. VON LEWINSKI: Indeed I'm quite an alien on this panel, I guess, because I am not an expert on fair use at all, which is a U.S. concept and which always sounded to me quite mysterious, and I still have the same impression even after this panel. But I am talking about this topic because, as you know, there have been many activities to try to export fair use to other countries of the world.

Some fifteen years ago, or around that time, I observed in Germany and Europe all of a sudden many of my colleagues, academics, would ventilate the idea of introducing fair use in our legislation. Many instead also spoke of a “flexibilization” of our limitations, which are usually shaped as precise limitations of exclusive rights. They proposed to make them more flexible and introduce more open clauses.

I then wondered, *Where does this come from all of a sudden, out of the blue?* It does not fit our legal system, which provides for quite precise limitations, since we consider it important to know what is allowed and what is not allowed.

Actually, I only understood what had happened when I came to Fordham some years later. So, sometimes, if you want to know what is going on in your own country you have to come to Fordham.

Actually, it was Bill Patry of Google, who I am missing today on this panel, who at the Fordham Conference at that time said something like, *Well, we are quite satisfied that more and more countries are adopting fair use. Actually, we don't insist on naming it fair use, but we would also be fine with a flexible approach, having flexible limitations.* At that moment, I thought, *Okay, I understand where it comes from.*

I even understood it better more recently when the Google Transparency Project published its report *Google's Academic Influence in Europe*, which you can read on the Internet.²⁴

And these activities are going on, as I experienced at a conference organized by the Korean government, where the representative of Google promoted fair use on several occasions also outside the official program.

Well, okay, it is going on. But in Germany we recently resisted! Last year a new law amending the Copyright Act entered into force. The plan of the coalition agreement of the political parties was to restructure all the existing limitations on research, education, and libraries, etc., by a “global limitation” thereon. Nobody knew what this was supposed to be, so there was a lot of discussion going on. Most academics still proposed to have open clauses, some kind of flexible limitations, like the legal opinion made for the Ministry of Research by an academic who proposed a mix of some precisely drafted limitations and opening clauses. However, the competent Ministry of Justice, after consideration of all views, in the end decided to choose, in line with our legal system and tradition, as it stated in the legislative motives, the possibly most precise descriptions of permitted uses in the law.

²⁴ Google Transparency Project, *Google's Academic Influence in Europe* (March 2018), <https://www.googletransparencyproject.org/articles/googles-academic-influence-in-europe>.

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The legislative motives added reasons for that choice; for example, that in case of a general clause on limitations, it needs to be concretized, rendered more precise, in order to know what is allowed and what is not allowed by law. This process would take, of course, years and years of litigation, so that for a long time users would not know what is allowed and right owners would have to litigate, which is very costly. In addition, the legislative motives explicitly referred to the example of the *Google Books* case, which also took a long time.

I personally could add more reasons. In particular, our constitution provides for the fundamental right of property, which also covers copyright, and according to which it is up to the legislators (rather than the judges) to determine the contents and the limitations of the property right. There is thus the question of competence between the legislature and the judiciary, of separation of powers. Our constitution actually would forbid us, I think, from having fair use or any kind of too-flexible clauses as limitations.

Plus, if you want to apply criminal law in the case of infringement, it is required to have precise provisions; otherwise, criminal law could not be applied.

Plus, in Germany we have a lot of statutory licenses combined with statutory remuneration rights, such as the private-copy remuneration and many others. So, in the context of limitations, the law provides that the author should at least get some money. If you want to have such a system, the limitation must be precise because otherwise the right owners don't know for what they can claim money and would have to go through many years of litigation before actually receiving any money.

And there are more good reasons to avoid fair-use types of limitations, which I do not have time to elaborate on. So, in Germany we retained the concept of precise limitations. I am also very glad that the European Commission in its proposal for the Digital Single Market Directive, which includes several limitations, also did so, and that the Directive retained very precise limitations.

My last point is that right now we have on the table of the Court of Justice of the European Union — which is always a risk — a number of questions submitted by the German Federal Court with respect to limitations in the cases *Pelham*²⁵, *Funke Medien v. FRG*²⁶, and *Spiegel online*²⁷.

You know that in European law we have Article 5 of the Information Society Directive²⁸, which includes a closed list of all the permitted exceptions that Member States may (or may choose not to) provide. This list also includes many conditions of the permitted uses.

Now the question was in three cases submitted to the Court of Justice to decide whether it would also be possible to apply other limitations, and also to what extent fundamental rights should be taken into account. Of course, if the Court of Justice would start venturing into basing any limitations directly on different fundamental rights, and

²⁵ Case C-476/17, *Pelham GmbH v. Hütter*, <http://curia.europa.eu>.

²⁶ Case C-469/17, *Funke Medien NRW GmbH v. Bundesrepublik Deutschland*, <http://curia.europa.eu>.

²⁷ Case C-516/17, *Spiegel Online GmbH v. Volker Beck*, <http://curia.europa.eu>.

²⁸ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, 2001 O.J. (L 167) 10.

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thus outside of Article 5, one would possibly end up with something like a very flexible clause, including a lack of legal certainty.

We do not yet have the judgment of the Court of Justice, but Advocate General Szpunar has already rendered opinions on two of the three cases and made some statements that I find interesting and also very good.

First, he says clearly that the list in Article 5 is exhaustive and there should not be any additional limitations applied because otherwise we would not have any harmonization. At the same time, it is up to the Member States' legislation to choose how to transpose them. He states: "The balancing of different rights and interests is a particularly complex exercise, and there is rarely a 'one-size-fits-all' solution. That balancing exercise must, in a democratic society, be undertaken first of all by the legislature, which embodies the general interest."

This seems to speak in favor of concrete legislative provisions instead of basing any limitations directly on fundamental rights, which in my mind would be the right approach.

MR. RUSSELL: It should be interesting to see how memes as an exception limitation are analyzed. Maybe fair use is a better vehicle for analyzing them.

PROF. GINSBURG: Silke, isn't there another part of this puzzle, which is that the CJEU does bring in proportionality analysis at the front end to ascertain whether there has been a *prima facie* infringement of, say, the communication to the public right? Thus, before one gets to that closed list of exceptions, the CJEU has introduced a certain amount of flexibility and unpredictability into deciding what the scope of the right is in the first place by bringing in proportionality and weighing fundamental rights to expression, etc.

MS. VON LEWINSKI: If you refer to all the criteria invented by the Court of Justice and applied in a manner not easily predictable, in particular as regards the communication right, this is indeed something that should never have happened, and I strongly disagree with that approach; I guess and hope that some national courts at least will still try to avoid, as far as possible, this kind of arguing and that the Court of Justice in the long run will "correct" itself.

MR. RUSSELL: Who has a really short good question to close this out?

QUESTION [Richard Pfohl, Music Canada]: A question for Judge Leval. I want to pick up on the last point you made in your presentation with respect to the *Fox News/TVEyes* case. You queried if the TVEyes service had only been available to Fox News subscribers, wouldn't that have been analogous to what happened in the *Sony Betamax* case? In that case, perhaps you would have had the *Sony* outcome instead, because I think the idea is that you wouldn't have had a competing service with Fox News, which you did in this case.

My question is this. I take your point that you wouldn't necessarily be competing with an existing service, but you would be competing with a potential business model or potential business line that the rightsholders might want to use. So Fox News might want to provide a searchable function, perhaps that would be a premium function, for its subscribers who could go online and search for cases on Tylenol or what have you. If you are applying the fourth factor, the economic harm, it seems to me that you would be

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allowing the competitors to hive off potential business lines, cannibalizing content, and preventing further exploitation of the work by the rightsholders.

So my question is: just because there is a vacuum of exploitation at the moment, it doesn't create a fair-use exception for someone to walk into, because you are still creating a potential economic harm to the rights holder, right?

JUDGE LEVAL: I think your suggestion is highly pertinent. Of course, you could have made the same argument in *Sony*, and the Supreme Court came out the other way. Of course, the Supreme Court didn't have the benefit of your argument. If you had been there, maybe they wouldn't have said what they said and it wouldn't have been such a far-reaching precursor of what was to come.

Your point is interesting. Suppose TVEyes had said to its customers, "You can only buy from us the right to get what you own the right to watch; if you like, we will buy for you the right to watch it from the content owners." If TVEyes had offered those terms, the case would look a lot like *Sony*. On the other hand, as Professor Ginsburg has pointed out to me, if *Sony's* hypothetical were presented in the context of today's marketplace, where content distributors are selling time-shifting technology, *Sony* might well have come out the other way on the fair use issue.

MR. RUSSELL: Thank you.

Unfortunately, we have reached the end of our time together. Thank you to the panelists.