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6A Copyright Law, Competition & Trademark Law Session. Fair Use

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Emily C. & John E. Hansen Intellectual Property Institute

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SESSION 6: COPYRIGHT LAW & COMPETITION LAW
6A. Fair Use

Moderator:
Ron Lazebnik
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Speakers:

Daan G. Erikson
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Fair Use After Google v. Oracle

Jane C. Ginsburg
Columbia Law School, New York
Andy Warhol, Transformative Use and Fair Use - Where Are We Going?

Joseph C. Gratz
Durie Tangri LLP, San Francisco
Controlled Digital Lending: Can Fair Use Bring Traditional Library Lending Into the Digital Age?

Panelists:

Brian W. Gray
Brian Gray Law, Toronto
Bhamati Viswanathan
Emerson College, Boston

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RON LAZEBNIK: Nothing gets you up early on a Friday like talking about Fair Use and this year is an exciting year for Fair Use. We have a new Supreme Court case to talk about. Let me quickly introduce the panelists and we can dive right in because I completely respect the conference's desire to stay on schedule today. We have Daan Erikson from Husch Blackwell. We have Professor Jane Ginsburg from Columbia Law School. We have Joseph Gratz from Durie Tangri. We have as panelists Brian Gray from Brian Gray Law and Bhamati Viswanathan from Emerson College. I apologize if I butchered anybody's name.

I won't say much. I imagine everybody here who is attending is generally familiar with the concept of Fair Use. Let's just dive right into the discussions. Daan, you have the floor for first.

DAAN G. ERIKSON: Hi, everybody. I'm Daan Erikson. I'm a Senior Associate with Husch Blackwell based out of my firm's Boston office. You may also know me as a former disciple of Hugh. [chuckles] I worked for the Fordham IP Institute for a few years before joining my firm. My presentation today is on a pretty focused topic because I do not want to step on Professor Jane Ginsburg's toes at all.

I'm only looking at the cases that are basically between the *Google v. Oracle* decision and the present day. I'm not going to be talking about what's going on with the currently granted Supreme Court case, *Andy Warhol Foundation v. Goldsmith*. I did kind of an empirical look based on what I perceived to be the peculiarities with the *Google v. Oracle* decision.

It's been widely covered that-- it was different and perhaps strange that instead of going through the Fair Use factors in order in *Google v. Oracle* the majority started the analysis with the second factor. That was definitely unorthodox. Beyond that they discussed transformativeness in terms of use on new products, in a distinct and different computer environment, which is language that was, again, unorthodox.

The third thing I noted that was different about the case was that they mentioned and highlighted how much of the original work was not copied. That's not completely unusual. There are other cases that do mention that kind of thing, but usually more in passing rather than sort of bolstering the decision. The fourth point that I noticed was that there was a lot of discussion on the market effect rather than the potential market, which again is not completely unique, but it's not the plain language of the test that many of us are used to.

In looking at the cases that have cited *Google v. Oracle* and analyzed the Fair Use factors, there are other cases mentioning Fair Use, but I'm talking about the ones that have gone through the four-factor test. There have been 10 decisions that I'm aware of. These are the 10 decisions and let's see what they've done. I created a chart. This might be a little hard to see on the screen, but basically under those four points that I highlighted, here's what everybody's doing. I know that frequent conference attendees may be familiar with Hugh's assertion that nobody listens to the Supreme Court on intellectual property. I think it maybe depends on what justice has written the opinion, perhaps.

Maybe I'll just say that lower courts do not always follow the Supreme Court on intellectual property. That certainly is holding true with what we've seen

so far. None of these 10 cases started the Fair Use analysis with the second factor. In terms of looking at the transformativeness, there's not a lot going on with people talking about new products, and in very few of these cases just due to the factual scenarios, there wasn't a lot happening in terms of finding transformativeness anyway.

On the third point there, highlighting how much was not copied, again, that wasn't completely unique to the *Google v. Oracle* case anyway, but that's not something that these courts are looking at. On the market effect point, I was very interested to find out that there is not this discussion of just "the market," but the courts are looking back to the earlier decisions that are talking about the *potential* market, which some of us may find relieving. [chuckles]

Then in these cases, there were some going different ways in terms of whether or not there was Fair Use and in a few of them, it was essentially too early in the case to tell. Now, you will notice in my very brief descriptions of the cases on the left-hand side, that none of these are software cases. I'm sure we'll hear from others on the panel about the significance of that. I will note in my research that I came across one case that did not fall into the 10 that I just mentioned, because there was no analysis of each of the four Fair Use factors, but I found this case *Live Face on Web, LLC v. Cremation Society of Illinois, Inc.* that does involve source code.

What's going on, in that case, is the plaintiff voluntarily dismissed the case with prejudice following the *Google v. Oracle* decision, because in the plaintiff's opinion or asserted opinion anyway, the *Google v. Oracle* case removed the strength of the plaintiff's claim due to now the plaintiff's perceived strength of what the defendant's Fair Use defense would be.

It may be too early just yet. We might not have enough data to say how exactly courts in the future will deal with software cases in light of *Google v. Oracle*, but again I don't know that we'll get that chance due to the recent grant of certiorari in *Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith* and with that, I'll stop my presentation.

RON LAZEBNIK: All right. Thank you, Daan. A reminder to the audience, you should feel free to submit a question at any time to be part of the discussion. I guess before I turn it over to one of our panelists, I'm curious, Daan, if part of what you observed might be just a lack of looking into the nuance of the opinion in the sense that if a law clerk is looking up for judge what the factors of Fair Use are. I suspect that even in the Oracle decision they were listed out as they normally would be and that's what the clerk copy-pasted and then worked on it there rather than focusing in the same order that the Supreme Court did. Do you think it's just because it wasn't a computer program they just kind of took, for lack of a better term, intellectual laziness approach to reading the opinion?

DAAN G. ERIKSON: Oh, I would never accuse a clerk of intellectual laziness. I've also never been a clerk, so I will preface it with that although I did have a judicial externship during law school. Now, in my opinion, these judges are finding cases and perhaps the clerks are finding cases that they like better, that better fit the facts, that better fit the way they want the case to come out, as you might say. I don't know that there's any intellectual laziness. I would just propose

that perhaps they like these other cases better. Maybe they like the way they were reasoned better or find them more applicable to the type of work at hand.

RON LAZEBNIK: Bhamati, I think you have a question.

BHAMATI VISWANATHAN: Sorry, had to unmute. Hi, Daan, since we haven't formally met I'm Bhamati Viswanathan. My first name, Ron, sorry, rhymes with Timothy, very hard name I know. I want to ask you, you said in passing and perhaps you were just glossing quickly, "Thank goodness they're looking at potential markets in the various structure." I'd like to hone in on that. Do you mean any potential market? Because we can define potential markets in lots of different ways and in light of the incentivization motivation that underlies IP and copyright particularly, I feel like there's this extremely sort of broad-- we have a tendency to say any market matters, because we don't want to shut off the possibility of those markets, but do we really want to define it that broadly any market or how do we concretize that in your view?

DAAN G. ERIKSON: That's a great question. I think you could look at it in a lot of different ways. In my view, when you're looking at the potential market, it's the natural zone of expansion theory similar to on the trademark side, what's your umbrella of protection, what's the natural expansion of turning a book into a movie, something like that. I think it's a tricky question to decide as is Fair Use generally.

RON LAZEBNIK: Jane is obviously going to speak next about the most recent Supreme Court case, but I imagine, Jane, you have an opinion about Oracle as well.

JANE C. GINSBURG: That's why I chimed in on the chat. On Bhamati's question, however, the Second Circuit has said that the concept of potential markets means markets that are actual, proximate, or likely to be exploited. In other words, the court's formulation was trying to cut off at the knees the circularity problem which would find any unlicensed use unfair under the fourth factor because in theory any use can be licensed.

Regarding *Google v. Oracle*, first of all, Daan, that was a brilliant chart, and can you send me a copy? I'd like to show it to my students. It reinforced my view, and I'd like to get your and Joe's view, which is *Google v. Oracle* really is *Lotus v. Borland* 25 years later. The court couldn't decide that case 25 years ago, since Justice Blackman had recused himself. This time around, there appears not to have been five votes for holding the software not copyrightable in the first place. Nonetheless, the analysis of the second fair use factor in *Google v. Oracle* comes as closely as possible to holding the work not copyrightable for all the reasons expressed in *Lotus v. Borland*. I'm wondering what you think of that.

DAAN G. ERIKSON: Oh, certainly, yes. That's great. I'd be happy to send you a copy of the chart. I think it's right. I suspect that we will see the holding will be pretty limited. I know there was the panel yesterday on thin copyright with Nick Bartelt's presentation, so I can see exactly your point about that that perhaps this is just the way of getting at the result essentially.

JOSEPH C. GRATZ: I think that's exactly right. I think that that is an important revivification of the second factor. I don't think the order in which a court addresses them is particularly necessarily important to the underlying

substance. Certainly, I see Oracle as a case where the second factor is maybe the most important. I think there were probably votes on the court for we don't even get to Fair Use. I think the second factor, frankly, like all of the other factors can, where there is a close case allow the court to bring in the equities to make a decision that is a less bright line even where it is over the bright line in the view of some decision-makers.

RON LAZEBNIK: Brian, quick last word.

BRIAN W. GRAY: On the commercial side, I was struck by the fact that the court felt that the profits or the value of Java was somehow tainted. That somehow they weren't entitled to that profit because the profits was really based upon the fact that the users had created the profits according to the court. Therefore, Java was somehow disentitled to those profits because they were really based on the fact that it was popular among users. That seems to me to be a rather false premise for evaluating commercial value because isn't that the value of any work is created by its popularity among users? I wondered if you could comment on that, Daan.

DAAN G. ERIKSON: Sure. Thanks, Brian. There's a tension in copyright. We see it every year at Fordham Conference the tension between those who favor more on the side of users' rights and those who are looking more at protecting creators and content owners. Absolutely. I have a good friend who's a programmer and when I told him about this decision he was absolutely thrilled. Other friends say, "Well, I don't think that that's right, that they just get to use that." I'm not here to relitigate *Google v. Oracle*, but in looking at how this could be interpreted in the future, I think Jane is right that we're just looking at how to get to the right answer on it. If I'm mischaracterizing what you're saying, Jane, please correct me.

RON LAZEBNIK: Speaking of Jane, we've hit the end of Daan's time. Thank you so much, Daan. Jane, you now get the floor to talk about the most recent entrant into the Fair Use saga.

JANE C. GINSBURG: I'd like to step back and set this in context, indeed in the context of several Fordham Conferences, because for at least a few years pre-pandemic, I participated in panels on Fair Use, including with Judge Leval. There was a time when it seemed like anything was “transformative” under the first of the four statutory fair use factors. The formula seems to have been: “If transformative, then Fair Use,” because all the other factors lined up, or as Barton Beebe has written, “stampeded.” The fight focused completely on whether the use was “transformative.” Following Supreme Court precedent, a “transformative” use was one that imbued the copied material with “new meaning or message.” But what “new meaning or message” meant was hotly contested. Some of the cases were pretty out there. Judge Leval at the time said, "Note that most of these are district court cases; appellate courts will start reigning this in and bring in some sense to it." (I note nonetheless that what may have been the most extreme transformative abuse case was *Cariou* v. *Prince,* an appellate court case from the Second Circuit; Judge Leval was not on the panel, however.) Appellate courts have largely proved Judge Leval right. For example, in 2019, the Fourth Circuit reversed the district court in *Brammer v. Violent Hues Productions, LLC*; the court did not find the use in the least transformative.

The district court ruled that the defendant's use was transformative because it was informational. The Fourth Circuit countered that if defendant's "informational" use of a photograph makes it transformative, then, effectively, there's no protection for photographs because most photographs convey information of some kind. Then in 2021, the Ninth Circuit in the *Dr. Seuss* case involving a Dr. Seuss/Star Trek mashup titled "Oh, the places you'll boldly go," concluded that all the factors tipped decisively against Fair Use. Even though the district court had asserted that "Boldly" was a mash-up and that mash-ups were almost per se transformative, the Ninth Circuit refuted that claim because it could not ascertain any kind of commentary on "Places" or on the Seuss oeuvre in general.

The distinction between copying a work for its original illustrative purpose and copying an illustration for the purpose of commenting on the illustration (and not the thing depicted) is one that other courts have also made with respect to photographs, including the *Fioranelli* case on Daan's slide. There's a difference between simply reusing the photograph for the same purpose, for the same informative purpose, as opposed to the story being about the photograph. How the photograph covered the story, some kind of commentary or further inquiry into the photograph as a photograph as opposed to simply reiteration of the documentary or decorative use of the photograph.

I think the *ComicMix* case also reflects that distinction. By way of additional preface to the *Andy Warhol* case let's take a quick foray through the Second Circuit's appropriation art cases. *Rogers v. Koons* involved the conversion of Art Roger's black and white photograph into a colorful sculpture. The Second Circuit rejected Koons' contention that his sculpture was a parody; nor was the court impressed with Koons' argument that he appropriated the photograph for its representation of American banality. If the artist wasn't directing his critique at the photograph, but rather at the broader concept of banality, then why was it necessary to appropriate Art Rogers' photograph? After *Campbell*, there may have been some question whether this case was still good law but the Second Circuit seems to have revived *Rogers* in the *Warhol* case. I therefore include it in our survey.

Several years later, post-*Campbell*, the same defendant obtained a different outcome in *Blanch v. Koons*. Here, *Koons* gave an explanation for the transformativeness of his use of an advertising photograph which the court found persuasive. The court also, perhaps somewhat problematically, concluded with respect to the fourth factor that Blanch had not incurred economic harm because she didn't license her photograph for artistic reuse. The notorious *Cariou v. Prince* case which involved Richard Prince's re-treatment of 37 photographs by Patrick Cariou; most of the photographs were substantially re-manipulated, collaged and enlarged into a variety of canvasses.

The court nonetheless remanded on five photos to assess whether Richard Prince had sufficiently transformed those photographs to find fair use. However, the Second Circuit's opinion is rather notorious for advancing the proposition that if the use is "transformative," use, then the market it appeals to is a transformative market which doesn't compete with the plaintiff's market. Evidence

that the markets for these two creators operate in such different markets can be adduced from among other things the guest list at the opening of the gallery show of Richard Prince's Canal Zone; major, major celebrities of the art world including Jeff Koons and also Brangelina were invited to the Gagosian gallery while poor old Cariou's book is out of print.

This brings us to the Goldsmith photo and its Warholization. An important fact in this case is that the original Warholization of the Goldsmith photo was made under an artist reference license which is standard practice in the magazine industry and elsewhere. You can actually look up artist reference licenses and even get a Creative Commons license to use a photograph as an artist reference. In her photograph's original iteration by Warhol in the first article about Prince, Goldsmith was paid and she was also given credit.

Later, when Prince died, *Vanity Fair* ran a tribute to Prince and ran a differently colored Warhol image based on the original Goldsmith photograph. She wasn't paid and she didn't get credit. When she complained, the foundation brought a declaratory judgment action claiming Fair Use. The district court pretty much in the line of *Cariou* concluded that there was no competition between Goldsmith and Warhol because people want a Warhol, they don't want a Goldsmith, and found as a matter of law that there was a Fair Use. In this case, the Second Circuit reversed. In reversing, they admitted that *Cariou* required some clarification.

What's the clarification? First, much more skepticism about the transformative character of the use and a real attempt to grapple with what should be the elephant in the room which is the exclusive right under Section 106(2) of the Copyright Act to authorize the making of derivative works. Part of the problem is that the definition of a derivative work is a work that "recasts, transforms, or adapts" the underlying work. How can one reconcile these two thoughts? If it's a transformative use, it is likely to be a Fair Use, yet there is an exclusive right to transform works.

The Second Circuit addresses this in part through the existence of markets for the artist license. The court acknowledges that there's not going to be competition between selling a Goldsmith photograph and a Warhol silkscreen, but you don't stop there. The question is what about her other markets, notably her derivative markets. This is a market that is not speculative. It's a market that actually exists. Indeed, what *Vanity Fair* did here was to make the exact use for which they paid earlier and for which they gave her credit. This, to me, is an easy case because it doesn't involve speculation about what kinds of markets the first creator might be exploiting.

We have concrete evidence of this specific market, known as ärtist's reference." I imagine there will be plenty of discussion when the case goes up to the Supreme Court of whether the artist reference market is one which normatively should exist. Empirically, there is such a market. Should second artists have to pay and give credit for the use of underlying creators', particularly photographers', works? Does it matter whether the second artist is using the photograph to create mass market images, such a magazine covers, or instead is creating limited edition fine art prints or single original paintings incorporating

the prior work? I frankly do not see a strong normative argument for why underlying creators shouldn't be paid and shouldn't get credit for their work, at least in the mass market context at issue in the case before the Supreme Court. But others believe that artistic freedom requires unlicensed and unpaid use of other creator's works as raw material, whatever the context.

The Second Circuit has not completely abandoned the raw material analysis that it expressed in *Cariou* among other places, but it distinguished *Cariou* on the basis that in the *Warhol* case, you have one work that remains fully identifiable, as opposed to the borrowing and collaging of several works. Warhol's was not an anonymous representation of Prince. This is Prince as seen by Lynn Goldsmith, a vision which, despite the Warholization, comes through clearly in the Warhol version. If one were to try to synthesize some of the prior cases, one would end up where the Second Circuit suggested, which is if you pick on one artist, one work, that's probably not Fair Use. But if you collage, if you create something that is much more complex, then the perception of a different meaning comes through more clearly.

Compare the Richard Prince treatments where the court found Fair Use as a matter of law with the Richard Prince treatments that the court did not rule Fair Use as a matter of law. Or compare Warhol's treatment to what Richard Prince did in another case that has not yet gone to the Second Circuit. The Southern District of New York considered that Richard Prince's Instagram series, in which he simply took other photographers' Instagram posts and copied them into ersatz Instagram frames.

The district court compared Richard Prince's appropriation of a Donal Graham photograph to the photographs that weren't Fair Use as a matter of law and concluded that this is not Fair Use as a matter of law either. If you put the Andy Warhol case in that line of cases, there is authority for the proposition that the more complex your reworking of a prior artist's contribution, the better its claim to being transformative. Whereas, if what you have here is simply a medium transformation, this is not likely to be transformative. The concern that the first factor carries all before it remains because I think that if a court finds that it is transformative, it's still very likely that the other factors will line up, although I think courts are paying more attention to the fourth factor.

The reverse seems also to be true: if the court finds the defendant's use not transformative, then the other factors are likely to line up against Fair Use particularly, if the analysis of transformation already takes into account the question of whether the artist has a market that exists and is threatened by the kind of use at issue. I think I've probably run out of time. I'll reserve any time that remains, if there is any, for for the Q&A. I imagine I've said a few things that will raise some hackles, so I look forward to discussion.

RON LAZEBNIK: Yes, I think you may have eliminated your rebuttal time, but we'll take some of the time out of the end Q&A, at the end of the remarks. Bhamati I see your hand is already up, so I'll let you go.

BHAMATI VISWANATHAN: Thank you very so much. I just would like to propose that if Brangelina shows up it's a new market. Can we make that bright-line rule going forward? I think it would be a great thing to agree on. I just

want to say quickly, on the question of collage and complexity, *Dr. Seuss* makes me wonder though. A pretty creative mashup that entailed a fair bit of effort, and yet, no, not Fair Use. That to me circles us back to the question of commentary. Commentary is something I really wrestle with because I feel that the courts are trying to come up with reasons for saying this is or isn't commentary, and that leads us to whose view? Whose view prevails on that? Do we have a way of getting into that question? That's a complicated question in art.

I know I threw out as a very 11th-hour question to the panelists, and to the speakers earlier, are we relying too much on extra testimony in some of these cases? There seems to be variation on how much we rely on them and why, but commentary seems, to me, to bring this question more in of now do we have to appeal more to outside authority? Where do we start coming up with standards for that? The normative questions and that I think are huge. I too will be curious to see how the court rules handles that. I don't want to turn up things.

RON LAZEBNIK: Brian, it looks like you have a reaction to that.

BRIAN W. GRAY: I just was reacting to one comment of Jane's. It reminds me the old English wag that if you take from one person it's plagiarism, if you take from 10 people it's research.

RON LAZEBNIK: In what you said, Jane, I kind of heard revisiting the second factor almost, which I always explain as it's not-- I always say to students, it's not what is added it's what you take away that they're looking at. You're describing it's also what you've added. Like the more you've added on top of that one work. It seems like you're indicating maybe that should lean towards a Fair Use analysis.

I guess you have three people all jumping at the bit to ask you for a little bit of a reaction on that one comment.

JANE C. GINSBURG: Well, I agree with the research joke. I think that perhaps one can discern two different strains. One is complexity, or using the underlying work as raw material. If the use of that raw material gets submerged in other work, it may still be recognizable to some extent, perhaps sufficient to meet a substantial similarity standard, but also fair use because the content has been transformed through its submergence in lots of other elements. That description might explain the Blanch case.

The *ComicMix* case, I think, is not contrary to the notion that a high degree of recognizability may cut against transformativeness, because it doesn't really matter that the defendant put a lot of work into it. If you make an unauthorized motion picture based on a novel you will have put a lot of work into the motion picture, but that does not suffice to make the adaptation a fair use.

You may have one set of cases where there is a raw material justification where there is a lot of creative reuse, and another set where the second work includes significant commentary. I think one of the problems with some of these cases is the somewhat spurious attempt to create commentary out of the defendant's work.

In the *Cariou v. Prince*, the district judge, drawing on Campbell's equation of transformativeness with imbuing the copied work with new meaning or message, asked Prince, "What is your meaning or message?" Prince replied, "My

message is that I didn't have a message," which didn't go over too well with the district judge. Then on appeal, all these amicus briefs poured in explaining the new meaning, or message. I think that that's really unhelpful. Bhamati, you asked about expert witnesses. It may well be that there will be an urge to offer expert witnesses-- I agree with Learned Hand who generally found expert testimony self-serving and unhelpful.

I think where there's kind of an obvious commentary, where you're not just reiterating the work, you're saying something about the work. One of the signers of an amicus brief is artist Barbara Kruger who appropriates pre-existing photographic images, which she overlays with red banners incorporating text, intended (or at least perceived) to convey an ironic counterpoint to the image. I have no problem saying that the red banners are a means of making a statement across the picture. Maybe I don't understand the commentary, but I think something is being said about the image or the relationship of the statement to the image.

I don't think that it's necessary in absolutely every case to find a commentary, at least where you have a complex use of the work. Maybe we can just forget the commentary part and raise the commentary question where there is a more, perhaps, apparently parasitic use of the work because there's only one, or in the mashup which the Ninth Circuit says the mashupis not saying anything *about* the Dr Seuss books.

RON LAZEBNIK: All right, thank you, Jane. Joe, you have the last of the presentations before we open it up. I do see we have questions in the Q&A, so we'll return to those questions for our various speakers after we're done discussing Joe's topic.

JOSEPH C. GRATZ: Great. Thank you very much. We have heard about the last Supreme Court case. We have heard about the next Supreme Court case. I want to talk about another case that is still at the district court stage, the Internet Archive case. I am counsel for Internet Archive in that case. Internet Archive is a non-profit library in San Francisco founded 25 years ago. I want to talk a little bit about facts in this pending case, that I think provide an interesting way of thinking about how to apply what has come out of *Oracle,* what may come out of *Warhol*, and some of the other concepts we've been talking about.

Internet Archive at archive.org owns millions of physical books, in addition to The Wayback Machine and its other digital programs stored in their physical archive facilities. Here's one of those physical facilities. They lend those books to their patrons one at a time. Obviously, they could run a shipping receiving operation out of these shipping containers, but instead they lend the books digitally. The books are scanned and stored securely digitally. Internet Archive uses the same digital rights management technology that the publishers use to prevent misuse of digital copies. Then once the patron checks the book in, another patron can check it out.

This is what it looks like. You can check out Stephen Breyer's book before last, *Active Liberty*, and you can see at the top you can borrow for an hour, you can borrow it for 14 days and there are special features for those who need access due to a print disability. Just like a physical library, or that lends out books by

moving physical copies around, the books are lent to one patron at a time. In 2024 the major publishers sued Internet Archive for copyright infringement.

The suit is about this one at a time lending. The suit is also, I think, secondarily about a temporary emergency program that was in place for a few months at the beginning of the pandemic that lifted the one-to-one technical restriction because all the physical libraries were inaccessible. I think the greater impact in the long term of the lawsuit is going to be related to the one-to-one lending. The digital emulation of the physical lending process. Internet Archives argument is that lending books in this manner is fair use. That copyright has never restricted a non-profit library's ability to permit one patron at a time to read a book the library owns, that they have a physical copy in that driven container. Now there's no public lending right in the United States. I see we have a number of attendees from many countries around the world, several of whom have public lending rights for physical books and some countries have extended that to digital library lending. There is no such right in the United States and in the US, once a library buys a copy of a book, it can lend that book out to one patron at a time and there aren't limitations with respect to physical lending on the number of times a book can be lent out, the number of times it can be repaired and rebound and so on.

In other words, once a library owns a physical copy, they have an entitlement to lend it to one patron at a time and that patron to whom it is lent has an entitlement to read it during the period that they are the one patron who has borrowed that particular copy. Obviously, if they want to lend it to more than one patron at a time, they need to buy more copies or maybe participate in a licensing market. Now to talk about fair use. At a highest level, this is fair use because the end result, library lending of a particular paper copy to one patron at a time is an end result that is consistent with the purposes of is of copyright and the fact that reproduction of temporary incidental copies is necessary to the technical process of lending an owned copy digitally doesn't make any difference to the substance of the transaction.

The copyright holder is in that way, no better and no worse off than the situation in which Internet Archive uses FedEx to send a book to a patron versus controlled digital lending. As we see in some of the lower court cases in *Sony Computer Entertainment, Inc. v. Connectix Corp. in* the Ninth Circuit in wire data in the Seventh Circuit, the fact that copies are involved, doesn't turn a non-infringing practice into an infringing practice where the substance of the practice is the same. To march quickly through the factors, the first factor of the use is entirely non-commercial, performed by a public charity for free.

Is it transformative? Well, on the view of transformativeness adopted in TVIs, the use is transformative because it is, "Using technology to achieve the transformative purpose of improving the efficiency of delivering content without unreasonably encroaching on the commercial entitlements of the rights holder, because the improved delivery was to one entitled to receive the content." The one patron who has borrowed a book from a library is a person entitled to receive the content of that book.

Now I want to take a step back, do we really think Sony, which is what like TVI's was talking about there is an example of a transformative in this case? My personal view of transformativeness does not encompass Sony but the Second Circuit's does, and it is theirs that matters. On the second factor, using all kinds of different books, Google books says that makes this factor neutral. Obviously, some of the books are highly creative, some of them are further from the core of copyright.

Then we get to the fourth factor. At the highest level, there's no traditional reasonable or likely to be developed market, to license a library, to loan out a book it owns to one patron at a time. I think there's a normative question, whether there should be such a market, whether there should be a public lending right with the policy questions, but it is not traditional reasonable or likely to be developed to license a library to loan out a book it owns.

No one is avoiding paying the customary fee because the customary fee to loan out a book a library owns is zero. We get to the question, how is a court to look at the fourth factor here and I think the court will take or ought to take guidance from the factor four analysis in *Google v. Oracle* to consider the public benefits the copying will likely produce in terms of the dissemination of published works in a way that is economically identical to, or economically very similar to an existing practice done not for profit. Are there any harms and how important are they compared with the dollar amounts, sorry.

What are the benefits to the public and how important are they, when compared with the dollar, amounts likely lost taking into account as the Supreme Court says, the nature of the source of the loss? I think any loss here would be due to publishers taking advantage of reselling the same content to libraries that already own it and could loan it simply to avoid friction and I think that's not a source of loss that is one that is properly taken into account. That is if a library sends books via FedEx, rather than mail, that doesn't result in a payment to the publisher. The public benefit, obviously of libraries being able to continue to make use of their large print collections in the digital age is obviously very significant and so to close because the public and the purposes of copyright fit from the broad dissemination of published works owned by libraries and their print collections controlled digital lending in this practice is fair use.

That closes my presentation and my six minutes. I see Jane says, what about ReDigi? What a great question. Here is my very short answer to, what about ReDigi? ReDigi certainly closes the door or effectively closes the door to one avenue by which one could situate this practice and that is as a direct adjunct to exhaustion or first sale or as a non-copyright relevant copy. There are a variety of possibilities that arose in ReDigi that the ReDigi opinion closed off. The ReDigi opinion also addressed fair use, but addressed fair use in a situation where two things at least were importantly different. One big thing that's importantly different is we were talking about the difference between a commercial actor acting for its own commercial profit versus a nonprofit entity acting solely to serve its nonprofit educational purposes. I think that makes a difference.

The other is that there is a direct replacement for a market transaction in the case of ReDigi. That is if you are the relevant consumer, you have two

identical choices, each of which has the same prerequisites, right? That is you can buy from iTunes or you can buy on the secondhand market and those two things are very close to perfect substitutes and here that's not quite true. There is a licensing market for digital library lending, but there is no licensing market for digital library lending of books the library already owns on a one-to-one basis from the paper copies that it owns, and doesn't circulate. That is, there's a market you can participate in if you don't own the book, but there isn't a market to license loaning out a book you already own.

I think that makes an important distinction. Jane points out correctly that in TVI's improving efficiency of delivery was only modestly transformative. Look, I think my doctrinal view separate from what the Second Circuit said is improving delivery isn't particularly transformative at all on my conception of transformativeness, but Judge Leval has expanded it out. I think that Sony and frankly, I think that this case, ought to in a pure doctrinal sense, be excellent examples of things that are very clearly fair use that are not transformative, but given the stampeding and given what the Second Circuit has said about transformative and its capacious in TVI's, I think it is certainly possible and certainly in the context of advocacy within the Second Circuit necessary and important to situate this within the frame of transformativeness.

RON LAZEBNIK: All right. Thank you, Joe, and well done in responding to things as they came up. Bhamati, I see you had your hand up and it's up again so please go ahead.

BHAMATI VISWANATHAN: Joe, can I just ask a question first, does Internet Archive purchase every single book that it scans and then lends digitally?

JOSEPH C. GRATZ: Internet Archive owns effectively, every single book that it scans and lends digitally as with any library, some of those books come into its ownership by gift or donation rather than by purchase. Is there a physical copy owned by Internet Archive for every title that is loaned out? The answer is effectively, yes.

BHAMATI VISWANATHAN: Effectively, yes. Internet Archive

JOSEPH C. GRATZ: There are some edge cases where I think one library was like, I'm going to ship you a shipping container of my entire library while we're closed at like-- I'm going to leave it at effectively, yes.

BHAMATI VISWANATHAN: Yes, so effectively, yes. Yes, so Internet Archive frankly, pisses me off as both a writer and as a friend of libraries. So, I will try to be objective and lawyerly about this, but it really pisses me off for multiple reasons. One, as a writer, I am being ripped off by Internet Archive. Let's just call it what it is. It's a rip-off of authors. Two, and it really is, when my book goes to a library, my book has been purchased by law school libraries, like five. My royalties tell me it's like probably five purchases, including my parents, but that's fine, that's the physical hard copy of the book. When they buy a book the Kindle version of my book, they license the right to use that Kindle version of my book or let's call it what's it called?

What's the library one called? Anyway, whatever. They don't scan my book and then lend it even one copy at a time. In fact, a lot of the fights between libraries right now and the AAP and so on, is specifically about lending rights

because the publishers are afraid that this is going to undermine their business models. Internet Archives just circumvents all that and says, "Hey, we're a library. We just get to do this." Because it's controlled, it's one book at a time it doesn't really matter to you Bhamati because it's just one patron at a time. Well, I am never going to see a return from that. How is this fair use?

JOSEPH C. GRATZ: You're never going to see a return from any library lending of your book by a library that owns a physical copy either, and so [crosstalk]

BHAMATI VISWANATHAN: It bought my book. It bought the Kindle version of my book. I may not see a personal physical return to it, but my publisher did.

JOSEPH C. GRATZ: Right, and Internet Archive bought a copy of your book too [crosstalk]

BHAMATI VISWANATHAN: That is not clear to me. Effectively bought, that's not really clear.

JOSEPH C. GRATZ: Okay. If your view of this turns on whether Internet Archive bought a copy of the book, I am confident in our success.

RON LAZEBNIK: Thank you, Joe. I guess what I hear as kind of the sticking point is the digitization aspect. That, yes, if you have a physical copy, you can loan out the physical copy and it's this aspect of taking the physical copy and digitizing yourself rather than obtaining a digital copy from the publisher or author. Those are naturally bound up in licensing schemes rather than for sale schemes, so I guess if you want to clarify your position on that digitization point. If you want.

JOSEPH C. GRATZ: Sure. I don't think that there is anything inherent about this practice that necessitates digitization as opposed to the purchase of digital copies that can be owned from publishers were publishers willing to sell digital copies that could be owned and loaned out without ongoing restriction or control by the publisher. Publishers by and large are not willing to sell digital copies that can be owned to the extent they were and Internet Archive wants to buy them. The digitization of the physical book I think is one part of how this happens in current market realities. But, I don't think is inherent to the practice itself, which is that one patron at a time can have a library book circulate to them and more than one patron at a time cannot have a library books circulated to them.

RON LAZEBNIK: Thank you. We've reached the end of Joe's time and the panelist time for Joe, but we have 14-ish minutes remaining for the panel at large and we have lots of Q&A questions, but I did see that Brian had a question. Brian is going to get to ask his question and then I ask all the other panelists to take a quick look at the Q&A button to see if you want to grab one of those questions in there before I start just shooting them off at all of you. Brian, go ahead.

BRIAN W. GRAY: My question was really a naive one, I guess, coming from the perspective of Canada or English countries, we, of course, have fair dealing and we have the very same factors. One of which is purpose. We rejected the idea of transformative specifically in our case law. We focus on the question of purpose and so I just ask naively because I know you're not going to get rid of

transformative now you're too far down that line, but I do wonder if you're focused on purpose as a purpose, rather than as question, wouldn't you get a more consistent perhaps easier to follow line of cases? Jane did answer, so I know she has an answer to that. That was my question.

RON LAZEBNIK: Jane you can go ahead.

JANE C. GINSBURG: It wasn't really an answer, I was agreeing with you that we may have gone a little bit off track with introducing transformativeness, the statute doesn't say transformative, it instructs courts to consider the purpose and character of the use. It might be more sensible if we looked at the purpose without the transformativeness overlay, although having said that, I suspect that the same problems of subjectivity and whose understanding of the purpose of the use would come back with a language change. It may also be a little late to give up on transformative use, but I still think that it's going to be very important to reconcile transformative use with the derivative work rights. I think Judge Leval in the Google books case made a start and that the Second Circuit in the *Andy Warhol* case pushed that analysis further in the attempt to reconcile transformative use and the derivative work right.

RON LAZEBNIK: Thank you. Looking at the questions from our audience the one that was originally in the context of *Oracle* so Daan, I'll let you take the first bite at it. It involved looking at the fourth factor, the market factor, and thinking about whether or not it should include third parties being affected as a calculation that is that not necessarily the fact that they're purchasing, but the costs to them if they can't access the thing through fair use rather than having to license it. Any immediate reactions you have to that, Daan?

DAAN G. ERIKSON: Oh gosh. Yes, so that was discussed a little bit in the *Google v. Oracle* case, and I didn't highlight it, but the thought of the public interest. I haven't seen that traditionally addressed in cases, but I know there's sort of a groundswell about it and it seems to me that when you're looking at fair use, I counsel clients like this: unless there is an exemption, a specific exemption for religious institutions and under the different parts of the statute, you have to look at the four fair use factors. When I'm counseling clients on this, I will basically say, is this something that somebody should have paid for?

We will have discussions at Fordham about this thing and the public interest and whether is this something that the purpose of copyright is for incentivizing artists to create, or is the purpose of copyright to distribute knowledge to the public? We will have that debate here every year at Fordham and people have different views. That's to the point about the question of, "Oh, what if people can't purchase the work if it's not considered fair use?" Well, that just goes back to the purpose of copyright and what is someone's perception of the purpose of copyright, in my opinion.

RON LAZEBNIK: Yes, although it's even one level deeper because if you can get people to agree on what the purpose of copyright is, you then have to get them to agree of what the purpose of fair use within copyright, which I don't know that everybody would agree to either so it's very interesting. The next question was to what extent can we, or should we be looking to whether there are alternative options available to the second artist in the context of, the *Warhol* case,

making it less important to justify unauthorized copying? The question immediately after it is, does the way in which courts have inquired into artistic purpose of a use crossed the line into becoming arbiters of artistic merit? Jane, if you want to take a first stab, please feel free.

JANE C. GINSBURG: I'm sorry. Not the artistic merit question which was the first half?

RON LAZEBNIK: Whether there are alternative options available should fit into the calculus.

JANE C. GINSBURG: Yes, I think that's related to the market harm question. Before this session, I went on the internet looking for artist reference licenses. It turns out, there's a lot of them. Unless there was something specific about Lynn Goldsmith's photograph that *Warhol* was reworking not simply because it was a really great photograph, it's hard to see what is transformative about the use. It is not a transformative use simply to do a medium transformation on a photograph that's a good photograph. That would, as the Fourth Circuit said, be the death of copyright for photographers or at least for good photographers. That can't be right.

If you want to rework other photographers' work, it does seem that there's quite a lot of options including many of them free. It's an important part of the livelihood of photographers to be able to grant these licenses. I don't really see an imperative to take a particular photographer's work unless you really want to do some kind of commentary, not just save yourself the drudgery of working up something fresh, as the Supreme Court and the Ninth Circuit have said.

RON LAZEBNIK: Something that strikes me in all of this when we talk about *Warhol* and it comes a little bit from my original reaction when Prince came out is using appropriation art as the litmus test for fair use because to me, it's just such a dangerous realm of art to then create the precedents for all other types of fair uses. I was wondering if any of you wanted to react to my feeling about that. If I was a litigator, I don't know that I would always want to keep picking these appropriation art cases as the places to go to determine fair use. They seem to be the ones that have sufficient backing from the art community to keep going up the chain in the courts. Any thoughts about that from any of you?

BHAMATI VISWANATHAN: Ironically, to your point, Ron, *Warhol* is an appropriation art.

RON LAZEBNIK: In this case, but he is like the father of--

BHAMATI VISWANATHAN: I feel like the *Warhol* case is open because there was a license in the first use of the photograph. Isn't that just per se evidence that you could have-- He did license, except he didn't license these particular images. Gosh, it doesn't it sort of say like, "This is what you should do."

RON LAZEBNIK: Although I think I saw in a different discussion about this case somebody's arguing maybe *Warhol* misunderstood how big of a license he received whether it was just for the one magazine or whether he got an artistic reference license for himself related to the photo. That's bringing in blurriness where the facts of the case don't necessarily have it. Daan, I see your hand is up.

DAAN G. ERIKSON: I wanted to ask my fellow panelists. Why do you think the Supreme Court granted cert in the *Goldsmith* case? It's a little confusing

to me. Are we going to say, "Okay, no. We're just going to limit *Google v. Oracle* to software. Now, we want to look at that." Why do we think that they grant a cert? I'm particularly interested in Jane's view.

JANE C. GINSBURG: I'm interested in Joe's view.

JOSEPH C. GRATZ: There would be no reason to grant if they were just going to say, *Google v. Oracle* is limited to software since that's what the Second Circuit said. The Second Circuit walked in the direction of saying that. Why did they grant? I think they granted because it's a really interesting case and they haven't addressed this end of things in a very long time.

RON LAZEBNIK: It's an entirely different panel, essentially, now. Not since *Oracle,* but since a lot of the older fair use cases, basically, all new justices. The next set of questions are all related to Joe who apparently stirred up a hornet's nest in his presentation. Let me see. The last one I think you might be interested in works very well. From a user's perspective, speaking as an active borrower of both digital and physical copies, there is a market for purchasing digital licenses for physical books. People keep returning to this issue, Joe, of the digital license. I guess I'll give you one more chance to address that.

JOSEPH C. GRATZ: Right. It is certainly right that publishers will license libraries the right to loan out, to make a book available to a patron. That doesn't depend in any way or have anything to do with the library's ownership of a copy and the library's pre-existing ability to loan out that physical copy to one patron at a time. That makes these two activities distinct. They are less distinct from the point of view of the borrower and they are way more distinct from the point of view of the actual market actor involved that is the library who either has to go in the open market and purchase a book in order to loan it out or has to participate in this licensing market.

Certainly, things would be different in some respects if publishers decided to sell digital copies that could be loaned out perpetually. They do not. These are different markets. One is temporary and one is with respect to the library's permanent collection including its permanent collection of printed works.

RON LAZEBNIK: Okay. On that front, I'm wondering from the panel, and this is not a fair use question, but this is a question related to Joe's presentation. Is there a fear of incentivizing publishers to go the digital route and reduce the existence of first sale of physical copies? Because in the digital realm, as Joe points out, they very often are licensing rather than handing over a full copy. That's partially how the digital rights management world panned out in the end post-DMCA but it didn't work out well. We see very often that on the digital side, it's not that you actually own the copy. You just own a license. Last second, any reaction to that from any of you before we have to go?

It's great when I can stump a whole panel by rambling. Wonderful. This has been very interesting. I apologize to all the folks who posted questions that we couldn't get to. It was a very lively Q&A. Hopefully, you enjoyed the panel nonetheless. Thank you to my panelists for speaking. This has been a very thoughtful and thought-provoking discussion. Thank you all.