DISTINGUISHING THE DERIVATIVE FROM THE TRANSFORMATIVE: EXPANDING MARKET-BASED INQUIRIES IN FAIR USE ADJUDICATIONS

INTRODUCTION

> [I]n truth, in literature, in science and in art, there are, and can be, few, if any, things, which in an abstract sense, are strictly new and original throughout. Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before.[1]

The United States Constitution specifically encourages scientific and artistic progress.[2] Such progress includes learning, knowledge, creativity, and innovation in myriad fields of endeavor.[3] In order to stimulate writers, composers, inventors, and others to create works for the intellectual enrichment of the public, the creator of a new work may obtain a copyright—a monopoly interest in the work that allows the author to reap the benefits of publication—in exchange for sharing his work with the public.[4] At the heart of copyright law, then, lies a quid pro quo: The author seeks to benefit himself by exploiting his work, while the public stands to benefit by gaining access to the work.[5]

Implicit in this notion of "progress" is the idea that an author must be able to study and build upon previously established works.[6] Blanket monopoly protection of intellectual property impedes the development of new ideas out of old ones, thereby "strangl[ing] the creative process."[7] Because authors must be free to refer to, expand upon, criticize, and even poke fun at the existing works of others, the doctrine of fair use acts as a safeguard to limit the scope of the copyright monopoly, paving the way for the new expression

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[1] Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 575 (1994) (quoting Emerson v. Davies, 8 F.Cas. 615, 619 (No. 4,436) (C.C.D. Mass. 1845)).

[2] *See* U.S. CONST. art. I, § 8, cl. 8 ("The Congress shall have power . . . to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Rights to their respective Writings and Discoveries.").

[3] *See id.*

[4] *See* Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1109 (1990).

[5] *See* Robert A. Kreiss, *Accessibility and Commercialization in Copyright Theory*, 43 UCLA L. REV. 1, 5 (1995).

[6] *See* Tyler T. Ochoa, *Dr. Seuss, The Juice, and Fair Use: How the Grinch Silenced a Parody*, 45 J. COPYRIGHT SOC'Y U.S.A. 546, 565 (1998).

[7] Leval, *supra* note 4, at 1109. ("[W]hile I shall think myself bound to secure every man in the enjoyment of his copyright, one must not put manacles upon science.") (quoting Cary v. Kearsley, 170 Eng. Rep. 679, 681, 4 Esp. 168, 170 (1803)).

of ideas.[8]

As a result, the fundamental goals of copyright are necessarily at odds with one another. Copyright must provide the author with incentives to create an original work, while at the same time it must limit these incentives so that other authors can build upon the original to create new works.[9] Without copyright protection, many authors would be unwilling to spend time creating a new work for which there exists no means of compensation.[10] At the other extreme, if copyright granted overly broad rights, "society might find itself limited to one photograph of a puppy, one painting of a landscape, one country and western song, and one romance novel."[11] Striking the precise balance between these competing interests rests on a value judgment about social benefit.[12] Even more vexing is the problem of deciding exactly what constitutes a "new" work. Is a criticism a new work? A parody? The courts, unfortunately, provide little guidance in resolving these questions.

The doctrine of fair use, often described as an "equitable rule of reason,"[13] is intended to provide a basis for making judgments about social benefit and deciding when a work should qualify as "new." Codified by Congress in 1976, the doctrine is expressed in terms of four non-exclusive statutory factors to be considered in fair use analyses.[14] Fair use has a two-fold function in our society. Its primary purpose is to mediate between the competing interests of the author and the public, thereby fostering "a climate of understanding in which authors, copyright owners, and users of protected expression recognize their respective rights and

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[8] Copyright protects only original expression, not ideas or information. *See* 17 U.S.C. § 102(b) (2002).

[9] *See* Kreiss, *supra* note 5, at 8.

[10] *See id.*

[11] *Id.*

[12] *See* PAUL GOLDSTEIN, COPYRIGHT: PRINCIPLES, LAW AND PRACTICE § 1.1, at 6 (1989). The English jurist Lord Mansfield recognized this dichotomy early on:

> We must take care to guard against two extremes, equally prejudicial; the one, that men of ability, who have employed their time in the service of the community, may not be deprived of their just merits, and the reward of their labor and ingenuity; the other, that the world may not be deprived of improvements, nor the progress of the arts retarded.

Louise Weinberg, *The Photocopying Revolution and the Copyright Crisis, in* 38 THE PUBLIC INTEREST 1 (National Affairs 1975).

[13] Kate O'Neill, *Against Dicta: A Legal Method for Rescuing Fair Use From the Right of First Publication*, 89 CAL. L. REV., 369, 373 (2001).

[14] In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include— (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) effect of the use upon the potential market for or value of the copyrighted work.
17 U.S.C. § 107.

responsibilities and, ideally, work together to promote tolerance and creative progress."[15] When communication breaks down and litigation results, fair use realizes its second purpose as an affirmative defense to a claim of copyright infringement.[16]

Because fair use is a case-by-case, fact-dependent issue, however, it is often difficult to predict *ex ante* whether a particular use of copyrighted material will be considered a fair use.[17] Complicating the problem further is a failure by the courts to distinguish between derivative use[18] and transformative use.[19] In the years since the Supreme Court first espoused the transformative use test, nearly all findings of transformative use have been dispositive of fair use adjudications.[20] Therefore, inconsistent application of the transformative use test produces conflicting judicial opinions and uncertainty for future litigants.

This note proposes extending the fourth fair use factor—the effect on the potential market for the original—in order to determine whether a use is transformative. The expanded inquiry would still be fact-specific since fair use findings are ill-suited to "bright-line rules,"[21] but would allow courts to avoid the inconsistency that results from transformative use determinations. The market analysis proposed here aids transformative use decisions by

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15 Robert Spoo, *Fair Use of Unpublished Works: Scholarly Research and Copyright Case Law Since 1992*, 34 TULSA L.J. 183, 184 (1998).

16 *See id.* at 184; *see also* Gregory K. Klingsporn, *The Conference on Fair Use (CONFU) and the Future of Fair Use Guidelines*, 23 COLUM.-VLA J.L. & ARTS 101, 101 (1999).

17 See *id.*

18 A "derivative work" is:

> a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motionpicture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a 'derivative work.'

17 U.S.C. § 101.

19 Judge Pierre N. Leval, who devised the transformative use test, defined transformative use as:

> employing the original material in a different manner or for a different purpose from the original. A [secondary work] that merely repackages or republishes the original is unlikely to pass the test . . . it would merely 'supersede the objects' of the original. If on the other hand, the secondary use adds value to the original—if the [original material] is used as raw material, transformed in the creation of new information, new aesthetics, new insights and understandings—this is the very type of activity that the fair use doctrine intends to protect for the enrichment of society.

Leval, *supra* note 4, at 1111.

20 *See* Jeremy Kudon, *Form Over Function: Expanding the Transformative Use Test for Fair Use*, 80 B.U. L. REV. 579, 583 (2000).

21 L.A. News Service v. CBS Broadcasting, Inc., 305 F.3d 924, 938 (9th Cir. 2002) ("The task is not to be simplified with bright-line rules, for the statute, like the doctrine it recognizes, calls for a case-by-case analysis.") (quoting Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 577-78)).

determining whether the original work and the new work serve the same or different markets. This is especially helpful since transformative use analyses have largely overshadowed derivative use determinations and, as noted above, transformative use findings are usually dispositive of fair use analyses. For example, if a court finds that the works serve different markets, then it is unlikely that the new work infringes upon the original author's derivative rights. Transformative use should be used only when other more consistent tests yield inconclusive results, and only after the original author's derivative rights have been addressed. Once it has been determined which market each work is intended to serve, a deeper inquiry into the fourth fair use factor, the *effect* on the potential market for the original, can then be undertaken.

II. BACKGROUND

A. *Common Law Foundations and 1976 Codification of Fair Use Guidelines*

> No doubt the ideal system, if it were attainable, would be a code at once so flexible and so minute, as to supply in advance for every conceivable situation the just and fitting rule. But life is too complex to bring the attainment of this ideal within the compass of human powers.[22]

Johannes Gutenberg invented movable type in 1447. The number of presses in England multiplied in the wake of Gutenberg's invention, and the demand for printed matter increased.[23] When the English presses were liberated from royal control in 1695, commercial plagiarism ran rampant. The British Parliament responded with the Copyright Act of 1710, the Statute of Anne, "whose preamble charged that printers and booksellers were in the habit of publishing 'books and other writings without the consent of the authors or proprietors of such books and writings, to their very great detriment, and too often to the ruin of them and their families.'"[24]

Although the United States declared its independence from England in the late 1700s, the new nation received much of its mother country's law. When Congress enacted the United States' first copyright statute,[25] it did not explicitly refer to "fair use,"

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[22] BENJAMIN N. CARDOZO, THE NATURE OF THE JUDICIAL PROCESS 143 (1921).

[23] *See* JOHN SHELTON LAWRENCE & BERNARD TIMBERG, FAIR USE AND FREE INQUIRY: COPYRIGHT LAW AND THE NEW MEDIA 5 (1980).

[24] *Id.* (quoting ENCYCLOPEDIA BRITTANICA 118 (11th ed. 1910-11)).

[25] *See* Act of May 31, 1790, ch. 15, 1 Stat. 124.

though American courts nonetheless recognized the English doctrine. In 1841, without specific reference to "fair use,"[26] Justice Story articulated general guidelines for making a fair use determination, such as "the nature and object of the selections made; the quantity and value of the materials used; and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work."[27]

When Congress enacted the Copyright Act of 1976,[28] fair use became an express statutory doctrine for the first time.[29] Justice Story's summary was adopted largely intact. Congress intended that courts continue following the common law doctrine of fair use, and did not "change, narrow, or enlarge it in any way."[30] The fair use doctrine as adopted thus "permits [and requires] courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster."[31] Because the doctrine eschews across-the-board application in favor of case-by-case analysis,[32] the result is often unpredictable since it is dependent upon the facts of each case.[33]

Congress, it seems, was aware of this problem. The Copyright Act of 1976 was adopted after no fewer than twenty-two years of wrangling, during which time the Office of Copyright commissioned thirty-five major studies.[34] Testimony and affidavits were accepted from more than three hundred witnesses, with their statements totaling more than four thousand pages.[35] The result was a compromise between copyright owners and unauthorized users. Yet, as Harriet L. Oler has observed, "[t]he spirit is clear. The letter is usually clear. But the law's practical application is frequently equivocal."[36]

Congress wrestled with the fair use problem for good reason. The doctrine was a necessary counterbalance to the exclusive rights granted in section 106 of the 1976 Copyright Act to the author of a

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26 *Lawrence v. Dana*, 15 F.Cas. 26, 60 (C.C.D. Mass. 1869), was the first American decision to utilize the term "fair use."

27 Folsom v. Marsh, 9 F.Cas. 342, 348 (C.C.D. Mass. 1841).

28 17 U.S.C. § 107.

29 *See* Lloyd L. Weinreb, *The 1998 Donald C. Brace Memorial Lecture*, 67 FORDHAM L. REV., 1291, 1292 (1999).

30 H.R. REP. NO. 94-1476, at 66 (1976); S. REP. NO. 94-473, at 62 (1975).

31 Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 576 (quoting Stewart v. Abend, 495 U.S. 207, 236 (1990) (internal quotation marks and citation omitted)).

32 *See* Harper & Row Publishers, Inc., v. Nation Enters., 471 U.S. 539, 560 (1985).

33 *See* Alan J. Hartnick, *The Defense of Fair Use: A Primer*, 15 TOURO L. REV. 153, 158 (1998).

34 *See* LAWRENCE & TIMBERG, *supra* note 23, at 3.

35 *See id.*

36 *Id.*

copyrighted work.[37] These rights, designed as incentives, include the exclusive right to reproduce the original work and distribute it to the public.[38] In particular, section 106(2) provides the exclusive right to create derivative works based upon the original copyrighted work.[39] Providing authors with section 106's exclusive rights, however, creates the risk that authors will exercise these rights for reasons unrelated to copyright's objectives.[40] For example, an author might use his copyright to impede distribution of future works that may potentially harm the market value of the original work.[41] Fair use provides a way to utilize existing works even when the original author seeks to avoid such uses as a negative review or a parody of the original.

III. THE NON-EXCLUSIVE STATUTORY FAIR USE FACTORS

A. *Surveying the Factors*

To find that an unauthorized use of copyrighted material constitutes fair use,

> the factors to be considered shall include (1) the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.[42]

1. Purpose and Character

The first factor, "purpose and character," invokes the fundamental balancing test of copyright law.[43] Judge Pierre N. Leval, an influential intellectual property jurist and author of several important fair use opinions,[44] frames the question as this: Does the unauthorized use fulfill the objective of copyright law to stimulate

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37 *See* 17 U.S.C. § 106.

38 *See* Kudon, *supra* note 20, at 585.

39 *See id.*

40 *See* Leval, *supra* note 4, at 1109. ("[E]xcessively broad protection would stifle, rather than advance, the objective.").

41 *See* Kudon, *supra* note 20, at 586.

42 17 U.S.C. § 107 (providing that "fair use of a copyrighted work . . . is not an infringement of copyright").

43 That is, the competing goals of encouraging progress by allowing new authors to build upon old works, versus reserving rights of authorship primarily for authors of completely original works. *See, e.g.*, Leval, *supra* note 4, at 1109; Kreiss, *supra* note 5, at 5.

44 *See, e.g.*, On Davis v. The Gap, Inc., 246 F.3d 152 (2d Cir. 2001); Bassett v. Mashantucket Pequot Tribe, 204 F.3d 343 (2d Cir. 2000); New Era Publications Intern., APS v. Henry Holt Co., 873 F.2d 576 (2d Cir. 1989).

creativity for public benefit?[45] If the unauthorized use is justified—that is, it stimulates creativity for public benefit—then the purpose and character of the use is favorable to a finding of fair use. If not, the taking will be deemed an infringement of copyright.

It is not enough, however, to decide whether or not justification exists. Rather, the essential inquiry is, how powerful or persuasive is the justification?[46] To that end, Judge Leval proposes the "transformative use" test.[47] Use of an original work is considered transformative when the allegedly infringing work does not just supercede the original work but "adds something new," effectively conferring value upon the original work.[48] In other words, when a putative infringer uses the borrowed material "in a different manner or for a different purpose from the original,"[49] she is said to have made a transformative use of the work. Such works "lie at the heart of the fair use doctrine's guarantee of breathing space within the confines of copyright,"[50] and the more transformative the new work, the less significant are the other three factors that may weigh against a finding of fair use.[51] According to Judge Leval, transformative uses include "criticizing the quoted work, exposing the character of the original author, proving a fact, or summarizing an idea argued in the original in order to defend or rebut it. They may also include parody, symbolism, aesthetic declarations, and innumerable other uses."[52]

Despite this seemingly clear standard, courts applying Judge Leval's test have arrived at "wildly divergent" results.[53] As Professor Diane Zimmerman noted:

> In some instances, it seems clear that the defendant failed the test of "transformativeness" because she had simply copied the plaintiff's work outright, rather than changing it or incorporating its expression into a new end product. In other cases, how-

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45 *See* Leval, *supra* note 4, at 1111.

46 *See id.*

47 *See id.*

48 *See id.* Justice Story first articulated this principle in 1841:

> [N]o one can doubt that a reviewer may fairly cite largely from the original work, if his design be really and truly to use the passages for purposes of fair and reasonable criticism. On the other hand, it is as clear, that he thus cites the most important parts of the work, with a view, not to criticize, but to supersede the use of the original work, and substitute the review for it, such a use will be deemed in law a piracy.

Folsom v. Marsh, 9 F.Cas. at 344-45.

49 Leval, *supra* note 4, at 1111.

50 Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 579 (1994).

51 *See id.*

52 Leval, *supra* note 4, at 1111.

53 *See* Diane Leenheer Zimmerman, *The More Things Change, the Less They Seem "Transformed": Some Reflections on Fair Use*, 46 J. COPYRIGHT SOC'Y U.S.A. 251, 251 (1998).

> ever, defendants who made highly creative reuses of what they borrowed from a plaintiff's work are also told that, despite the amount of new material they had added, their work product was not transformative.[54]

Consideration of the first statutory factor in a fair use analysis does not rest solely on the transformative use test, however. The first factor also contains a commerciality component, which is linked to the fourth factor, the effect upon the potential market for or value of the original. The inquiry here is whether the purpose of the new work is primarily commercial in nature, or is intended for nonprofit, educational purposes.

2. Nature of the Copyrighted Work

The second factor, the nature of the copyrighted work, suggests that some works are more deserving of copyright protection than others.[55] Works of a factual nature, for example, are afforded a lower degree of protection than highly imaginative works on the ground that "the law favors the free flow of information and provides maximal safeguards for products of the imagination."[56] Unlike its acknowledgment of the difference between the use of copyrighted material for commercial gain versus educational purposes, Congress did not spell out the differentiation between factual works and imaginative works.[57] Therefore, judges are left to their own devices in determining what works are entitled to a greater or lesser degree of fair use protection.

3. Amount and Substantiality

The third statutory factor addresses the amount and substantiality of the portion used in relation to the copyrighted work as a whole. Justice Story again provides an elegant approach to this inquiry:

> The entirety of the copyright is the property of the author; and it is no defence, [sic] that another person has appropriated a

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[54] *Id. Compare Leibovitz v. Paramount Pictures Corp.*, 137 F.3d 109, 114-15 (2d Cir. 1998) (holding that spoofing a famous Leibovitz photo of pregnant actress Demi Moore by placing comic actor Leslie Nielson's head on a pregnant woman's body was fair use), with *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394 (9th Cir. 1997) (upholding an injunction prohibiting distribution of book entitled *The Cat NOT in the Hat!*, in which Dr. Seuss's characteristic rhyming verse was used to spoof the O.J. Simpson trial).

[55] Maria E. Sous, The SAT *is No Laughing Matter for* Seinfeld*: Issues of Copyright Infringement and Fair Use in* Castle Rock Entertainment, Inc. v. Carol Publishing Group. Inc., 6 VILL. SPORTS & ENT. L.J. 405, 417 (1999).

[56] Hartnick, *supra* note 33, at 167.

[57] *See* 17 U.S.C. § 107 ("[T]he commercial or non-profit character of an activity, while not conclusive with respect to fair use, can and should be weighed along with other factors in fair use decisions.").

> part, and not the whole, of any property. Neither does it necessarily depend upon the quantity taken, whether it is an infringement of the copyright or not. It is often affected by other considerations, the value of the materials taken, and the importance of it to the sale of the original work.[58]

This factor is perhaps the most straightforward of the four—if the amount of copyrighted material used is great, the court will likely find infringement, even though the portions used may not have been substantial in terms of content. Conversely, if the amount used is small but substantial, constituting the "heart of the work," then the court is equally likely to find infringement.[59] Still, there are "no absolute rules as to how much of a copyrighted work may be copied and still be considered fair use."[60]

4. Effect Upon the Potential Market

The final statutory factor considers the effect that the unauthorized use will have on the potential market for or value of the original work. One of the primary goals of copyright is to provide the author with a financial incentive to create new works. Consequently, a secondary user who interferes with an author's pursuit undermines this important goal.[61]

In evaluating this factor, courts consider whether the secondary work usurps or creates a substitute for the market of the original work.[62] Market "harm" will not suffice.[63] Complicating this analysis is the fact that, in some instances, the unauthorized work actually *increases* interest in the original work, thus increasing the market for it as well.[64]

B. *Confusion in the Courts*

Conducting a fair use analysis requires the court to consider

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58 Folsom v. Marsh, 9 F.Cas. at 348 (citing Bramwell v. Halcomb, 3 My. and Cr. (Ch.) 737 (1836); Saunders v. Smith, 3 My. and Cr. (Ch.) 711 (1838)).

59 For example, in *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539 (1985), the amount taken was insubstantial in relation to the work as a whole, but the court nevertheless denied the defendant a fair use defense, because they took what was "essentially the heart of the book." *Id.* at 544.

60 Maxtone-Graham v. Burtchaell, 803 F.2d 1253, 1263 (2d Cir. 1986).

61 *See* Sous, *supra* note 55, at 420.

62 *See id.*

63 *See* Jonathan Zavin, *Copyright Infringement Litigation, Practising Law Institute, Patents, Copyrights, Trademarks, and Literary Property Course Handbook Series*, 660 PLI/PAT 229, 275 (2001).

64 Alice Randall's *The Wind Done Gone*, a "re-telling" of the Margaret Mitchell classic *Gone With the Wind*, "may actually spur an increase in sales of [the original]." Amy Alexander, *Parody Prevails in* Wind Done Gone *Case* (May 31, 2001), *at* http://www.africana.com/Column/bl_lines_21.htm.

and balance the four statutory factors detailed in the previous section. Depending upon the facts of the case, one particular factor may be given substantial weight to the virtual exclusion of the others.[65] In other instances, the court may dismiss one or more of the factors as irrelevant.[66]

Because a fair use determination is fact-specific, and because there is no mandate that the four factors be weighed equally,[67] judicial consistency is difficult to achieve. Numerous commentators have criticized the courts' failure to synthesize the law into a cogent set of principles under which precedent would play a greater role. For example, Kate O'Neill noted that although "courts repeat that fair use disputes cannot be resolved with 'bright-line rules' but require case-by-case analysis, the lower courts have drawn the conclusion that precedent has little utility and that every case should be treated as one of first impression."[68]

IV. Development of the Transformative Use Test

A. *Decline of the Productivity Analysis: The* Sony *and* Harper *Cases*

Six years after the Supreme Court's decision in *Sony Corp. of America v. Universal City Studios, Inc.*,[69] Judge Leval devised the transformative use test. Judge Leval believed that the Supreme Court's decision in *Sony* left the fair use doctrine in a state of chaos, and blamed the decision for having launched "major misunderstandings that have . . . plagued the fair use doctrine."[70] Judge Leval argued that before *Sony*, "the most significant force driving a fair use finding had been the notion that fair uses are 'productive.'"[71]

Sony involved the pure copying of material with a slight twist. Television producers sought to enjoin Sony from producing video tape recorders ("VTR"s), the precursor to videocassette recorders,

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65 In *Campbell*, for example, the Court virtually ignored the fact that defendant's unauthorized use of plaintiff's song was for commercial gain, announcing that this factor recedes in importance as the work becomes more transformative. *See Campbell*, 510 U.S. at 579.

66 For example, the commerciality subset of the first fair use factor was virtually ignored in *Castle Rock Entertainment, Inc. v. Carol Publishing Group, Inc.*, 150 F.3d 132 (2d Cir. 1998). *See id.* at 141 ("That *The SAT*'s use is commercial, at most, 'tends to weigh against a finding of fair use.' But we do not make too much of this point.") (internal citation omitted)).

67 17 U.S.C. § 107 requires only that the factors "be considered."

68 O'Neill, *supra* note 13, at 373-74.

69 464 U.S. 417 (1984).

70 Pierre N. Leval, *Nimmer Lecture: Fair Use Rescued*, 44 UCLA L. Rev. 1449, 1455 (1997).

71 Pierre N. Leval, Campbell v. Acuff Rose: *Justice Souter's Rescue of Fair Use*, 13 Cardozo Arts & Ent. L.J. 19, 19 (1994).

because a VTR allowed its owner to make unauthorized copies of copyrighted television programs.[72] In response, Sony argued that VTRs had non-infringing uses as well, such as allowing an owner to record and replay public domain material.[73] The Supreme Court agreed, then took the analysis one step further in holding that the private recording of a program shown at an inconvenient time, for the sole purpose of viewing it at a later time, constituted fair use.[74]

To justify its position that a private viewer who makes copies in order to watch a program at a more convenient time does not threaten the interests of the copyright holder, the Court emphasized a clause within the first statutory factor, which indicates that courts should consider "whether such use is of a commercial nature or is for nonprofit educational purposes."[75] Despite statutory language indicating that the commercial nature of the use was but one factor the Court should consider in its analysis, the *Sony* court nevertheless interpreted this to mean that *all* commercial uses are presumptively unfair, and that, conversely, all noncommercial uses should be considered fair.[76]

The difficulty with the *Sony* holding is readily apparent. Criticism, commentary, parody, biography, and many other forms of expression often borrow from other works and are almost certainly commercial undertakings.[77] Limiting fair use to noncommercial uses effectively eviscerates the doctrine, leaving it applicable only to sermons and classroom lectures.[78]

The *Sony* Court facilitated its reliance on commerciality by rejecting the position of the Ninth Circuit,[79] which held that only "productive uses"—those that do not borrow from the original by mere copying, but rather add some creative contribution along the way—should be considered fair use. The Court explained that "while the distinction between 'productive' and 'unproductive' uses may be helpful . . . it cannot be wholly determinative."[80] Apparently, the *Sony* Court was content to rely on commerciality as a deciding factor, but was unwilling to afford the same decisional weight to productive versus unproductive use. This approach would have to wait for Judge Leval's landmark exposition, *Toward a*

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72 *See Sony*, 464 U.S. at 419-20.
73 *See id.* at 433.
74 *See id.* at 485.
75 17 U.S.C. § 107(1).
76 *See* Leval, *supra* note 70, at 1456.
77 *See id.*
78 *See id.*
79 *See* Sony Corp. v. Universal City Studios, 659 F.2d 963 (9th Cir. 1981), *rev'd*, 464 U.S. 417 (1984).
80 *Sony*, 464 U.S. at 455 n.40.

Fair Use Standard.[81]

The Supreme Court continued to back away from the productive use analysis in *Harper & Row Publishers, Inc. v. Nation Enterprises.*[82] In this case, Harper & Row had acquired the publishing rights to former President Gerald Ford's memoirs, and granted *Time* magazine a license to publish an excerpt from the memoirs concerning Ford's pardon of former President Richard Nixon. Shortly before the *Time* article appeared, however, an editor at *The Nation* magazine obtained an unauthorized copy of the Ford manuscript and scooped *Time* by publishing an article that contained direct quotations from the manuscript.[83]

The United States Court of Appeals for the Second Circuit held that *The Nation*'s scoop was fair use of the material because, although copyrighted, the manuscript had yet to be published.[84] The Supreme Court reversed the circuit court, reaffirming the author's "right to control the first appearance of his undisseminated expression."[85]

The most dramatic change wrought by *Harper & Row* (and *Sony*) was the marginalization of productivity in the fair use analysis.[86] Prior to these cases, many lower courts assumed that a putatively infringing activity had to advance the common good by somehow adding to the collection of intellectual products available to the public.[87] In line with this train of thought, Justice Blackmun, dissenting in *Sony*, argued that the productivity of a defendant's activity should be a crucial consideration in fair use analyses. After all, he argued, the primary purpose of the doctrine was to "facilitate the creation of new works."[88] According to Blackmun, the productive use must result in some "added benefit to the public,"[89] but need not include the creation of new information, aesthetics, or insights, as required by the transformative use test.[90]

In contrast, Justice Stevens' majority opinion in *Sony*, as to whether it is permissible to record programs for later viewing, made no mention of productivity. He addressed the issue only in a footnote, stating that productivity was too vague or controversial a

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81 *See* Leval, *supra* note 4.
82 471 U.S. 539 (1985).
83 *See id.* at 542-43.
84 *See id.* at 544.
85 *Id.* at 555.
86 *See* William W. Fisher III, *Reconstructing the Fair Use Doctrine*, 101 HARV. L. REV. 1659, 1684 (1988). .
87 *See id.* at 1684-85.
88 Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 495 (1984).
89 *Id.* at 478.
90 *See* Leval, *supra* note 4, at 1111.

criterion to be of any analytical value.[91] Teachers who copy educational programs for their own edification; voters who copy news programs in order to decide how to vote; and hospital patients who copy entertainment programs they would otherwise miss in order to improve their "psychological well-being" are all engaged in arguably productive uses.[92]

Dissenting in *Harper & Row*, Justice Brennan argued for a more limited version of Justice Blackmun's approach in *Sony*. Justice Brennan contended that uses of copyrighted material which contribute to "the spread of knowledge and information" should be treated especially leniently under the fair use doctrine.[93] Though not quite as rigid or formal a requirement as the transformative use test, Justice Brennan's requirement that the material contribute to the spread of knowledge and information can be viewed as a precursor to the test.

Although *Sony* and *Harper & Row* did not completely remove the concept of productivity from the fair use doctrine, the two decisions in combination sharply reduced the role played by this factor. With his transformative use test, Judge Leval sought to reclaim productivity's role in fair use adjudications.

B. *Resurrecting Productive Use: Judge Leval's Transformative Use Test*

Troubled by the general disorder in the lower courts, as well as the problems specifically caused by the productivity analyses in *Sony* and *Harper & Row*, Judge Leval "strove to define a governing standard for what he believed had become an aimless doctrine"[94] by resurrecting the productivity analysis espoused in *Sony*.[95] For Judge Leval, the purpose and character of the use is the "soul" of fair use.[96] Concentrating on copyright's ultimate objective—to stimulate creativity for public illumination—Judge Leval insisted that a defendant must demonstrate that the secondary use fulfills this basic goal of copyright law. In determining whether the secondary work achieved this objective, Judge Leval explained that "[t]he question remains how powerful, or persuasive, is the justification, because the court must weigh the strength of the secondary user's justification against factors favoring the copyright owner."[97]

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91 *See* Fisher, *supra* note 86, at 1685.
92 *See Sony*, 464 U.S. at 455.
93 *See* Harper & Row Publishers, Inc. v. Nation Enterprises, 471 U.S. 539, 591 (1985).
94 Kudon, *supra* note 20, at 589.
95 *See id.*
96 *See* Leval, *supra* note 4, at 1116.
97 *Id.* at 1111.

Judge Leval provided the following guidelines:

> The use must be productive and must employ the . . . [original material] in a different manner or for a different purpose from the original. A [secondary work] that merely repackages or republishes the original is unlikely to pass the test . . . it would merely 'supersede the objects' of the original. If on the other hand, the secondary use adds value to the original—if the [original material] is used as raw material, transformed in the creation of new information, new aesthetics, new insights and understandings—this is the very type of activity that the fair use doctrine intends to protect for the enrichment of society.[98]

V. JUDICIAL INTERPRETATION OF THE TRANSFORMATIVE USE TEST: *CAMPBELL V. ACUFF-ROSE MUSIC, INC.*[99]

1. Facts and Holding

Campbell is thought of by many as the case that rescued the fair use doctrine.[100] The Court returned to the "productive use" test first espoused in *Sony*, now known as the "transformative use" test courtesy of Judge Leval's influential article, *Toward a Fair Use Standard*,[101] to find that a song parody constituted fair use of the original work.

In *Campbell*, the rap group 2 Live Crew decided to record its own, sexual innuendo-laced parody of Roy Orbison's ballad "Oh, Pretty Woman." The group informed the song's publisher, Acuff-Rose, that they planned to use the song; they also agreed to provide appropriate credit for ownership and authorship of the original song and pay a fee for its use.[102] Acuff-Rose denied permission to use the song, but 2 Live Crew proceeded nevertheless, and Acuff-Rose brought a copyright infringement action approximately one year later.

The District Court granted summary judgment for 2 Live Crew on four grounds: (1) 2 Live Crew's commercial use of the song did not preclude a finding of fair use; (2) 2 Live Crew's version was a parody, intended to show "how bland and banal the Orbison song" is; (3) 2 Live Crew took only what was necessary to "conjure up" the original in order to parody it; and (4) it was "extremely unlikely that 2 Live Crew's song could adversely affect the market for the

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98 *Id.* (internal citations omitted).

99 510 U.S. 569 (1994).

100 *See, e.g.*, Leval, *supra* note 70, at 1464 (referring to *Campbell* as "the finest opinion ever written on the subject of fair use").

101 *See* Leval, *supra* note 4.

102 *See Campbell*, 510 U.S. at 572.

original."[103]

The United States Court of Appeals for the Sixth Circuit reversed and remanded.[104] Relying on *Sony*, the Court of Appeals stated that the District Court had placed too little emphasis on the fact that every commercial use is presumptively unfair, and held that the "admittedly commercial nature" of 2 Live Crew's parody "require[d] the conclusion" that the first of the four factors weighed against a finding of fair use.[105]

The Supreme Court rejected this view. Justice Souter, speaking for a unanimous Court, recognized that a bright-line "commerciality" test was unworkable, and held that the Court of Appeals erred in "giving virtually dispositive weight to the commercial nature of the parody."[106] However, the Court then did the same, analyzing *Campbell* almost exclusively under the transformative use doctrine. "The more transformative the work," Justice Souter wrote for the majority, "the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use."[107] The Court noted that although a transformative use is not *necessary* in finding fair use, "the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works."[108]

Finding that 2 Live Crew's work was a parody facilitated the Court's transformative use analysis. The Court found it easier than did the Court of Appeals to discern a "critical element" in 2 Live Crew's work, and concluded that the song "reasonably could be perceived as commenting on the original or criticizing it, to some degree."[109] From this rather weak stance, the Court concluded that because the group "derisively demonstrate[d] how bland and banal the [original] seems to them"[110] and "clearly intended to ridicule the white-bread original,"[111] 2 Live Crew made fair use of the original; it transcended the original through parody.[112]

This determination allowed the Court to dispense with the

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103 Acuff-Rose Music, Inc. v. Campbell, 754 F. Supp. 1150, 1154-55, 1157-58 (M.D. Tenn. 1991).

104 Acuff-Rose Music, Inc. v. Campbell, 972 F.2d 1429, 1439 (6th Cir. 1992).

105 *See id.* at 1435, 1437.

106 Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 584 (1994).

107 *Id.* at 579.

108 Ochoa, *supra* note 6, at 581 (quoting *Campbell*, 510 U.S. at 579).

109 *Campbell*, 510 U.S. at 583.

110 *Id.* at 582 (quoting Acuff-Rose Music, Inc. v. Campbell, 754 F. Supp. at 1154-55).

111 *Id.* (quoting Acuff-Rose Music, Inc. v. Campbell, 972 F.2d 1429, 1442 (6th Cir. 1992)).

112 *See id.* at 588-89. The Court considered parody a clear and obvious example of a transformative use. *See id.* at 579.

other three factors in relatively short order. First, the Court dismissed the second statutory factor, "nature of the copyrighted work,"[113] as "not much help in this case,"[114] since the work is a parody. Copyright law recognizes that some works are "closer to the core of intended copyright protection than others,"[115] meaning that creative expression for public dissemination, like Orbison's work here, is exactly the kind of work copyright is intended to protect.

The second factor provides little guidance in parody cases because parodies "almost invariably" copy publicly known, expressive works, which the parodist must necessarily conjure up in order for the parody to succeed.

The third factor examines the "amount and substantiality of the portion used in relation to the copyrighted work as a whole."[116] The amount taken must be reasonable in relation to the purpose of the copying. Here, 2 Live Crew did not copy a large amount of the song, as it replaced the bulk of the original song's lyrics with its own. Rather, 2 Live Crew made use of the "heart" of the original work, which is the song's instantly recognizable opening riff and well-known first line of lyrics.[117] However, because the Court classified the song as a parody—and parody *must* take aim at the heart of the original in order to succeed—the Court was able to overlook the fact that 2 Live Crew had copied the most creative aspects of Orbison's work.

The fourth factor concerns the "effect of the use upon the potential market for or value of the copyrighted work."[118] Here, the Court rejected *Sony*'s declaration that if the intended use is for commercial gain, then the "likelihood [of significant market harm] may be presumed." Rather, the Court viewed market harm not in terms of commercial versus noncommercial use, but in terms of "mere duplication" versus transformative use.

A commercial use amounts to mere duplication when it supersedes the purposes of the original and serves as a market replacement, thereby facilitating cognizable market harm. But when the second use is transformative, the Court explained, "market substitution is at least less certain, and market harm may not be so readily inferred."[119] In any event, however, mere market harm will not

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113 17 U.S.C. § 107(2).
114 *Campbell*, 510 U.S. at 586.
115 *Id.*
116 17 U.S.C. § 107(3).
117 *See Campbell*, 510 U.S. at 570.
118 17 U.S.C. § 107(4).
119 *Campbell*, 510 U.S. at 591.

suffice.[120]

Because 2 Live Crew's use of "Oh, Pretty Woman" was found to be transformative on the ground that it is a parody, "it is more likely that the new work will not affect the market for the original . . . by acting as a substitute for it."[121]

2. The Problem with *Campbell*

Campbell's fair use analysis relied heavily on Judge Leval's transformative use test. In doing so, the Court eschewed Justice Blackmun's productivity test, which required only that the new work provide some "added benefit to the public."[122] Rather, *Campbell* employed the transformative use test to *define* the notion of benefit to the public. The Court explained that the new work must create some new information, new aesthetics, new insights, or new understandings.[123] "Mere social benefit," without additional creative value, will not constitute a transformative use.[124]

The difficulty with the transformative use test, and *Campbell*'s application of it, is that the test provides little guidance for future cases. Because the use of Orbison's song in *Campbell* was a parody, finding transformative use was not difficult. The parody contained new information (changed lyrics), a new aesthetic (a rap song versus a ballad), and certainly a new message (replacing Orbison's "romantic musings" with a "bawdy demand for sex").[125] It also incorporated a new insight by commenting on the banality of the original.[126]

Yet, what if 2 Live Crew had recorded a non-parody rap version of "Oh, Pretty Woman"? One might successfully argue that the new song enriches the public by recasting the song in a new format. But has the original actually been transformed? Or is it simply a derivative work, to which the rights should belong to the original author? Is the public deprived of a new work if Orbison chooses never to try his hand at rap? Or is it his prerogative to maintain the integrity of his original work? *Campbell* leaves this fundamental question unanswered: What is the difference between a derivative work, the rights to which belong to the original author, and a transformative work, which is essentially dispositive in fair

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120 *See* Zavin, *supra* note 63, at 275.

121 *Id.*

122 Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 478 (1984).

123 *See Campbell*, 510 U.S. at 569 (remarking that the new work must be infused with "new expression, meaning, or message").

124 *See* Kudon, *supra* note 20, at 595.

125 *See Campbell*, 510 U.S. at 583.

126 *See id.* at 573.

use determinations?[127]

VI. Derivative Versus Transformative Use

A derivative work is defined as one

> based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a 'derivative work.'[128]

The right to produce a derivative work belongs to the original author. One who makes derivative use of a work is not entitled to the affirmative defense of fair use.[129] By contrast, one who uses a work in a "transformative" manner is entitled to a fair use defense. What, then, is added to a transformative work to ensure that it is not simply derivative?

Looking at the definitions of the two uses provides little clarification. First, the definition of a derivative work acknowledges that it is an *original* work of authorship. Thus, like a transformative work, a derivative work does more than "merely repackage or republish the original."[130] In addition, a derivative work specifically includes those works that "transformed" the original. Although this appears to be only a semantic point, it bears mentioning because the definition of a derivative work specifically contemplates virtually the same kind of "public enrichment" that the transformative use test does. Finally, a transformative work must "add value" to the original. But so, too, does a translation or fictionalization add value, because editorial revisions, annotations, and elaborations, which are all considered derivative, inherently add value.

In order to distinguish a derivative work from a transformative work, then, some non-definitional rationale must be given to explain why derivative works never enjoy fair use protection, while works that the courts deem transformative nearly always do.

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127 *See* Kudon, *supra* note 20, at 583.
128 17 U.S.C. § 101.
129 *See* Stewart v. Abend, 495 U.S. 207 (1990).
130 Leval, *supra* note 4, at 1111.

VII. RETHINKING THE TRANSFORMATIVE USE TEST: A FUNCTIONALITY ANALYSIS

A. *Introduction*

Many scholars have attempted to identify and propose solutions to the various problems with the fair use guidelines. Most who have addressed the problem advocate an economic or market-based solution, which ensures that the copyright holder is duly compensated for his creative efforts, but often leaves the original goals of copyright law unfulfilled. Still others suggest myriad permutations of Judge Leval's transformative use test, which often result in the virtual exclusion of the other three fair use factors. The most practicable solution is Jeremy Kudon's functionality test, based on Professor Melville Nimmer's original explication of functionality.[131]

B. *The Functionality Test*

Kudon's functionality test addresses the first fair use factor, as well as Judge Leval's attempt to alleviate the ambiguity in the first factor by applying his transformative use test. Kudon begins his analysis by identifying two problems with the transformative use test. The first concerns the lower courts' lack of guidance regarding the distinction between transformative and derivative works.[132] The second problem involves Judge Leval's per se, "non-transformative finding for secondary uses that add no original expression or creative modification to the original work."[133]

Kudon argues that the transformative use test is essentially a presumptively dispositive factor,[134] because in nearly all post-*Campbell* decisions, courts determine transformative use consistently with their findings of fair use.[135] Kudon proposes the functionality test to help "sever the high correlation between the transformative use and fair use determination."[136]

Using the functionality test, the defense of fair use would be invoked when the allegedly infringing work performs a different function than that of the original, even though the new work con-

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131 *See* Kudon, *supra* note 20, at 583.

132 *See id.*

133 *Id.*

134 *See id.*

135 *But see* Castle Rock Entertainment, Inc. v. Carol Publ'g Group, Inc., 955 F. Supp. 260 (S.D.N.Y. 1997) (finding defendant's work transformative but not fair use), *aff'd*, 150 F.3d 132 (2d Cir. 1998) (finding that work was *not* transformative but otherwise affirming lower court decision).

136 *See* Kudon, *supra* note 20, at 584.

tains material substantially similar to that in the original.[137]

C. *Shortcomings of the Functionality Test*

Functional analysis "expands transformative use to include those works that merely reproduce the copyrighted original but that add value because they serve a different purpose than the original."[138] The test works well in cases such as *Kelly v. Arriba Soft Corp.*,[139] in which an Internet search engine company displayed its results using "thumbnails" of copyrighted images from a photographer's web sites. The *Kelly* court adopted the lower court's analysis of the case in terms of the purpose or function of the new work. Although the reproduction of copyrighted works was presumptively unfair because it involved straightforward copying, by applying a functional analysis, the court found that the new user could disseminate the photographer's work because it served a "very different" purpose from that for which the images were created. The court pointed out that although "reproducing news footage into a different format does not change the ultimate purpose of informing the public about current affairs"[140] and is therefore not a transformative use, the use here of the plaintiff's images are transformative because the use is different. Functional analysis, then, allows a court to find transformative use despite the fact that copyrighted material is republished with no changes whatsoever.

Yet, not every court accepts this view. In a factually analogous case, *Infinity Broadcast Corp. v. Kirkwood*,[141] the Second Circuit rejected functional use analysis. Like the defendant in *Kelly*, the defendant here reproduced copyrighted material (radio broadcasting) in its entirety, with no changes. As in *Kelly*, the defendant also made an entirely new use of the copyrighted material, which was to ensure that paid advertising was broadcast as agreed. The Second Circuit in *Kirkwood*, however, rejected the lower court's purpose-based or "functional" view of transformation, since the new use "merely repackages or republishes the original."[142]

In both of the preceding cases, the new work was clearly used for a different purpose than the original. (It is interesting to note that the word "market" could be substituted for the word "use" or "purpose" in each case, and the same result would obtain.) The

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137 *See id.* at 583-84 (internal citation omitted).
138 Kudon, *supra* note 20, at 607.
139 280 F.3d 934 (9th Cir. 2002).
140 *Id.* at 941.
141 150 F.3d 104 (2d Cir. 1999).
142 *Id.* at 108 (citing Leval, *supra* note 4, at 1111).

problem with functional analysis, however, is that it fares no better in terms of consistency than the transformative use test itself. It proves even less useful than the transformative use test when the case is not so clear-cut. Kudon provides a simple hypothetical as a starting point:

> Consider, for example, a movie based on a copyright-protected novel. [It] will never be transformative because it falls within the plaintiff's derivative rights. A court, however, can only determine that a movie is within the plaintiff's derivative rights by looking at the fourth factor. Functional analysis mitigates this problem by simply comparing the purpose or function of the two works during the transformative use test. While the movie may transform the book, it does not serve an entirely different function than the original: both serve to entertain. Thus, while the movie would have a slight transformative use, it would not be enough to win the first factor. Even if the movie served a different function from the book, the court would still determine under the fourth factor whether such a function represented a potential market for the plaintiff.[143]

Functionality performs as intended in the above hypothetical, where it is clear that the movie and the book serve the same function: to entertain. Conversely, functional analysis also works in cases like *Kelly*, where the two uses serve very different functions, although this approach was rejected in *Kirkwood*. Problems arise, however, when this analysis is applied to gray areas. Tweaking the facts of Kudon's hypothetical, consider, for example, a movie that begins where the plot of the novel upon which the movie is based ends. The movie uses a mix of pre-existing and newly created characters and makes references to the novel, but creates a wholly original plot.[144] Arguments in favor of finding transformative use might include (1) the movie does not merely reproduce or repackage the novel; (2) the movie provides new information and new insights; and (3) the movie adds value to the original novel by continuing the storyline. Arguments against a transformative use finding might include (1) the movie simply elaborates on the existing novel, indicating that the use is derivative, not transformative; (2) the movie modifies the existing novel by providing an alternative ending to the story, again indicative of derivative use; and (3) the

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143 Kudon, *supra* note 20, at 607-08.

144 This is a variation of the issue presented in *Suntrust Bank v. Houghton-Mifflin Co.*, 268 F.3d 1257 (11th Cir. 2001), in which author Alice Randall produced a retelling of Margaret Mitchell's classic, *Gone With the Wind*, entitled *The Wind Done Gone*, from the perspective of the black characters in the original.

movie represents an original work because the author generated the new plot herself, albeit with some of the original work's characters.

This scenario presents a difficult transformative use case. The use is certainly transformative because an entirely new, original plot has been created for the enrichment of the public and possibly to the delight of fans of the original novel. But the use *also* seems to fall squarely within the original author's derivative rights—if anyone is going to continue the storyline set up in the novel, it should be the original author, who created the characters and laid the foundation.[145] It is in cases of this type that functional analysis proves to be of little assistance. Applying functionality to this hypothetical is difficult because the movie and the novel perform precisely the same function: to entertain.

VIII. Expanding Market-Based Inquiries to Distinguish Derivative From Transformative Works

Expansion of the fourth fair use factor, effect on the potential market for the original, can help decide "close" cases like the hypothetical above. This rationale is similar to the fourth fair use factor, which determines whether or not the new work usurps or creates a substitute for the market of the original work.

Much like functionality determines whether the new work and old work serve the same *function*, the market rationale determines whether or not the works serve the same *market*. The degree to which the works serve the same market is still determined by the fourth factor, but expanding the test can help determine at the outset how transformative the new work is by determining whether or not its market is served by, or could be served by, the original. Ensuring that an original author can fully exploit the market for his work is ostensibly the purpose of the derivative use test, especially since authors and even publishers sometimes do not understand their potential markets. But because the derivative use test is often overlooked in favor of transformative use inquiries,[146] a market analysis is an appropriate substitute.

Market analysis is best utilized to decide cases in which the functionality calculus provides little guidance. In the hypothetical discussed in the preceding section, where a movie is produced that

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[145] The court in *Suntrust Bank* rejected this view, holding that Randall's work based on *Gone With the Wind* constituted fair use because it transcended Mitchell's original work through parody. *See id.* at 1271-73.

[146] The test is often overlooked because transformative use prevents authors from "tying up" their works by refusing to produce or license others to produce derivative works.

picks up where the plot of the original novel (on which the movie is based) left off, market analysis asks, "Does the movie serve the same market as the novel?" The answer varies with the facts of the case, as it does in all fair use inquiries. For example, if the novel is a literary one with a small but dedicated fan base, a big-budget movie designed for maximum appeal to the masses may serve a very different market. On the other hand, if the book was wildly popular, a movie that faithfully adheres to the beloved plot is likely to serve the same market. This type of inquiry allows a court to determine whether or not the original author's potential market would be encroached upon. If the markets are different, the use is more likely to be transformative. Otherwise, the markets would overlap or cannibalize each other. Thus, the market analysis prevents an original author from depriving the public of truly transformative works. If, on the other hand, the markets are similar, market analysis allows an author to claim derivative rights even if the new work possesses some transformative characteristics. Thus, the market analysis balances incentives for authors to create against the public's desire for intellectual enrichment.

IX. RECASTING POST-*CAMPBELL* TRANSFORMATIVE USE DECISIONS USING FUNCTIONALITY AND MARKET ANALYSES

A. *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*[147]

1. Facts and Holding

Dr. Seuss Enterprises v. Penguin Books involved Penguin's publication of a sardonic account of the O.J. Simpson trial, which was written in the rhyming, repetitive style of Dr. Seuss, and copied the title character's signature red-and-white striped stovepipe hat.[148] Penguin claimed that its use of Dr. Seuss's characteristic style "imitate[d] the characteristic style of an author or a work for comic effect or ridicule."[149] That Penguin's use of the Dr. Seuss book was intended as a parody seemed obvious.[150] Yet, Penguin was enjoined by the Ninth Circuit on the ground that the Simpson book was not transformative.[151] Penguin was not entitled to a parody

147 109 F.3d 1394 (9th Cir. 1997).

148 Dr. Seuss is the pseudonym of Theodor S. Geisel, author of *The Cat in the Hat!* and forty-six other children's books. *The Cat in the Hat!* is one of Geisel's most popular books, wherein the title character wears a distinctive red and white striped hat.

149 Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 580 (1994) (quoting THE AMERICAN HERITAGE DICTIONARY 1317 (3d ed. 1992)).

150 One verse, for example, parodied the opening lines from Seuss's famous "*One fish, two fish, red fish, blue fish,*" by substituting the words, "One knife? Two knife? Red knife, Dead wife." *Dr. Seuss Enters.*, 109 F.3d at 1401.

151 *See id.* at 1399. The Court held that because there was "no effort to create a trans-

defense, the Court reasoned, because it offered no "discernable direct comment on the original."[152]

Penguin's arguments to the contrary fell on deaf ears; the Court characterized Penguin's claim that its book critically commented on the original as "completely unconvincing."[153] The Court seemingly forgot that "First Amendment protections do not apply only to those who speak clearly, whose jokes are funny, and whose parodies succeed."[154]

2. *Campbell* and *Dr. Seuss:* Similar Facts, Opposite Results

Campbell and *Dr. Seuss* are difficult to distinguish on a factual basis. In each case, the defendant played upon the naïvete of the original work, using enough that the parody could be recognized as such, then substituting its own ribald or risqué lyrics for the clean, innocent ones of the original. But the difference between the two does not lie in whether or not the new use qualifies as a parody. Rather, the Court analyzed each case in terms of whether or not the use made of the original was transformative.

Campbell solidified the transformative use test as a mandatory requirement in future fair use adjudication.[155] In fact, the transformative use test has been a presumptively dispositive factor in nearly all post-*Campbell* decisions.[156]

3. Functional Analysis of *Dr. Seuss*

Whether the Dr. Seuss children's book and the O.J. Simpson book serve the same function depends on how specific a definition the court adopts. Broadly speaking, both books serve to entertain the reader, and a court's inquiry might reasonably end there. Or, more specifically, it might be argued that the Simpson book is intended to comment upon the original, for example, by comparing Simpson's penchant for getting into trouble to the mischievousness of the Cat in the Hat. Assuming, however, that a court finds both books to serve mainly entertainment purposes, some other form of analysis is needed.

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formative work with new expression, meaning, or message," the book failed to satisfy the first factor of the fair use test. *See id.* at 1400.

152 *See id.* at 1401 (citing *Campbell*, 510 U.S. at 578).

153 *Id.* at 1403.

154 Yankee Publishing Ind. v. News America Publishing, Inc., 809 F. Supp. 267, 280 (S.D.N.Y. 1992) (quoted in *Campbell*, 510 U.S. at 583).

155 *See* Kudon, *supra* note 20, at 595.

156 *But see* Castle Rock Entertainment, Inc. v. Carol Pub'g Group, Inc., 955 F. Supp. 260 (S.D.N.Y. 1997).

4. Market Analysis of *Dr. Seuss*

Reasonable minds may differ as to whether or not the Dr. Seuss children's book and the Simpson book serve different functions. There is little room for disagreement, however, over whether the two serve different markets. The market for the Dr. Seuss book is small children (or, rather, the parents of small children, who will presumably read the book to their children). The Simpson book, by contrast, is wholly inappropriate for small children, and would appeal only to adults. The Simpson book is therefore highly unlikely to infringe upon the market for the original, and this should be given greater dispositive weight during a transformative use analysis.

It should also be noted that the copyright holder of the Dr. Seuss book is unlikely to license the book for a use such as the Simpson book (regardless of the amount of money offered), thereby depriving the public of a new work. Nor is the copyright holder likely to successfully claim that a satirical book falls within his own derivative rights. The market analysis helps override the copyright holder's resistance by weighing in favor of transformative use.

B. *Castle Rock Entertainment, Inc. v. Carol Publishing Group, Inc.*[157]

1. Facts and Holding

In *Castle Rock*, author Beth B. Golub wrote a trivia quiz book ("*The SAT*")[158] based on the notes that she took while watching episodes of the popular television show *Seinfeld*. The book included 643 trivia questions drawn from 84 of the 86 episodes that had aired as of *The SAT*'s publication date.[159] Actual dialogue from the episodes was quoted in 41 of the book's questions.[160]

The case presented a novel set of circumstances because *The SAT* did not intend or claim to be a parody, as in *Campbell* or *Dr. Seuss*, nor did it involve mere copying, as in *Sony*. Rather, the work presumably did exactly what copyright law is supposed to facilitate: It took an existing creative work and, by adding to it to create something new, arguably made transformative use of the original. How, then, did the court conclude that *The SAT* was not fair use?

The court began its analysis by placing little weight on the fact

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157 150 F.3d 132 (2d Cir. 1998).

158 The "SAT" refers to the Seinfeld Aptitude Test, which was the popular name of Golub's trivia book. *See id.* at 135.

159 *See id.* at 135-36.

160 *See id.* at 136.

that *The SAT* was intended for commercial gain.[161] Rather, like in *Campbell*, the Court's inquiry focused on whether *The SAT* had a transformative purpose. The United States Court of Appeals for the Second Circuit maintained that *The SAT* copied creative expression and was qualitatively similar to the television program. The book lacked transformative purpose, the Court concluded, because its "repackaging" of *Seinfeld* only minimally altered the program's creative expression.[162]

2. Functional Analysis of *Castle Rock*

As in *Dr. Seuss*, whether a functional analysis is beneficial here depends upon the degree of specificity with which a court would analyze the functions of the *Seinfeld* television program and *The SAT*. It is clear that both the program and the book are intended to function as entertainment.

However, one might argue that an alternative function of *The SAT* is to provide new information (e.g., readers can learn from their wrong answers in the quiz book) or new understandings (of missed episodes, for example). The book augments the program by providing additional information or, at the very least, information in a different format from that of the television program, but it does not *replace* the program.

3. Market Analysis of *Castle Rock*

In this case, a market analysis of *Seinfeld* and *The SAT* is intertwined with the functional analysis. This case is unusual in that the markets overlap, but do not diminish each other. The viewers of *Seinfeld* may also be readers of *The SAT*, but it is highly unlikely that the program's viewers would abandon the program in favor of the book, since the content of the book does not replace the program's content. Employing a market analysis relieves the court of having to determine whether the new work is transformative, or whether the book simply "repackaged" the television show. Rather, the court could count the fact that the markets overlap as weighing in favor of derivative use, not transformative use.

CONCLUSION

A market-based analysis would help take the guesswork out of transformative use determinations. Whether the original work and

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[161] *See id.* at 142. The *Castle Rock* court explained that this issue was irrelevant, since commercial use of *The SAT* would not favor a finding of fair use. *See id.*

[162] *See id.* at 143.

new work serve the same or different markets should be considered a prerequisite for analyzing the fourth fair use factor, effect on the potential market for the original, and for determining whether the original author's derivative rights have been violated. Only if these issues are addressed without satisfaction should the court undertake a transformative use analysis, as this test often results in inconsistent judicial opinions and uncertainty for future litigants.

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