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DEFINING FAIR USE IN THE DIGITAL ERA

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ABSTRACT

The increasing prevalence of technology, and the ease with which the public and companies can reproduce, recombine, and reuse copyrighted works, has rendered the once-confusing fair use doctrine a virtual uncertainty. Given limited congressional guidance, courts have relied heavily on the secondary use's potential effect on the market for the original work. While this reliance is based on the valid concern of maintaining adequate creative incentives, the enormous growth of licensing markets has resulted in an overemphasis on economic concerns. Recent court decisions indicate that fair use now turns not on the protection of creative incentives, but rather the preservation of a maximum revenue stream for authors. Yet fair use, along with the copyright system, was designed for public, not private, benefit. Excessive concern for private gain will chill the development of new technologies. Therefore, the author concludes that when the social value of a secondary use is high, and its impact on the market is not only *de minimis*, but unlikely to diminish an author's creative aspirations, the secondary use must be permitted for the public good.

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I. INTRODUCTION

Fair use is an amorphous concept.[1] Since its inception, courts have struggled with its application. This struggle has weighed on the public, which has had scant guidance of how the doctrine fits in the context of new uses and technologies.[2] The advent of Internet and the subsequent ease with which users can reproduce, recombine, and reuse copyrighted works has consistently aggravated this confusion. As society has moved further into the digital age, the unpredictable nature of copyright disputes has caused litigation to run rampant.[3]

Greater uniformity in application is, however, possible. Concededly, the fair use inquiry is by nature somewhat imprecise, given its sensitivity to facts.[4] But by viewing fair use through the lens of copyright's goal of intellectual enrichment, the judiciary can enhance predictability. A utilitarian focus not only provides society with greater direction, but also alleviates the threat of a chilling effect on the development of new technologies.[5]

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[1] When determining whether a work is a fair use, and not an infringement of copyright, "the factors to be considered shall include – (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work." 17 U.S.C. § 107 (1976).

[2] *See, e.g.*, Pamela A. MacLean, *Digital Copyright Act Needs Rebooting*, NAT'L L.J., Mar. 20, 2006, at 13.

[3] For example, Google, Inc.'s operation of Google.com has been the constant subject of dispute. Subsequent litigation has been, in part, due to the lack of clarity in the application of the fair use doctrine. *See, e.g.*, *Perfect 10 v. Google, Inc.*, 416 F. Supp. 2d 828 (C.D. Cal. 2006) (ruling that Google's display of thumbnail images not likely to qualify for fair use); Kevin Kelly, *Scan This Book!*, N.Y. TIMES, May 14, 2006, § 6 (Magazine), at 43 (discussing Google's digitization of library books); Robert Hof, *Ganging Up on Google*, BUS. WK., Apr. 24, 2006 (discussing various legal issues confronting Google), *available at* http://www.businessweek.com/technology/content/apr2006/tc20060424_517518.htm; Juan Perez, *Google Removing Agence France Presse from Google News*, PC WORLD, Mar. 21, 2005 (discussing Google's aggregation of news content), *available at* http://www.pcworld.com/news/article/0,aid,120125,00.asp.

[4] *See, e.g.*, H.R. REP. NO. 94-1476, at 5680 (1976) (Conf. Rep.) ("[T]he endless variety of situations and combinations of circumstances that can rise in particular cases precludes the formulation of exact rules in the statute."); *Time, Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, 144 (S.D.N.Y. 1968) (fair use is so "entirely equitable… and flexible as virtually to defy definition.");WILLIAM F. PATRY, THE FAIR USE PRIVILEGE IN COPYRIGHT LAW 413-417 (2d ed. 1995).

To appropriately modify the fair use doctrine, therefore, courts must place greater weight on the utility and productive nature of the secondary use. Simultaneously, judges must de-emphasize the use's market effect as subservient, but essential, to ensuring the public benefit. For example, an internet search engine's use of thumbnail images provides a productive, useful function, and its potential impact on the market must not become the hinge of the fair use analysis.[6] Thus, to avoid a chilling effect on the development of such technologies, courts in the digital era should find fair use when a ruling of infringement would suppress a useful new technology and harm to the plaintiff's market appears *de minimis*.[7]

II. THE BACKGROUND OF THE FAIR USE DOCTRINE

A. FAIR USE GIVES THE JUDICIARY THE FLEXIBILITY AND DISCRETION TO ACCOMMODATE NEW TECHNOLOGIES FOR THE PUBLIC BENEFIT.

Prior to the advent of the Internet,[8] Congress codified fair use as a defense to copyright infringement claims.[9] Notwithstanding the disarray of the common law, Congress intended to

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[5] The fear is that ambiguities in the fair use doctrine may result in judicial suppression of useful new developments, in part due to an emphasis on the potential market effect of the secondary use. *See, e.g.*, *Perfect 10*, *supra* note 3, at 828; *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2775-76 (2005) (discussing the delicate balance between artistic protection and technological innovation); Nancy Ramsey, *The Hidden Cost of Documentaries*, N.Y. TIMES, Oct. 16, 2005, § 2, at 13 (discussing the legal ramifications of an accidental use of a "musical" cellphone ringtone in a low-budget documentary film).

[6] *See, e.g.*, *Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003). *C.f. Perfect 10*, *supra* note 3, at 828.

[7] In other words, the public benefit should excuse a use, even in the absence of transaction costs, if the social benefit of the use outweighs the loss to the copyright owner. *See, e.g.*, 2 PAUL GOLDSTEIN, COPYRIGHT § 10.1.1.1-3 (2005) (discussing and comparing the private and public benefit approaches to fair use). For example, the public benefit approach would, in instances, condone a schoolteacher's use of photocopies from a chapter of a copyrighted textbook despite the existence of a licensing market. *Id.*, at § 10.1.1.2.

[8] Notably, codification also occurred prior to the advent and significant public use of the personal computer. *See, e.g.*, Erik Sandberg-Diment, *Past Shows the Pitfalls of Crystal Gazing*, N.Y. TIMES, Jan. 1, 1985, § 1 (discussing the evolution of the personal computer).

[9] Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified as 17 U.S.C.). *See also* H.R. REP. NO. 94-1476, at 5678 ("The judicial doctrine of fair use… would be given express statutory recognition for the first time in section 107.").

ensure that the doctrine, with origins dating to the infancy of copyright,[10] remained viable under the 1976 Act.[11] Fair use was perceived as essential to "fulfill copyright's [] purpose '[t]o promote the progress of Science and useful Arts.'"[12]

Despite codification, fair use remained an unclear doctrine in application.[13] Congress changed little of the common law's expansive interpretations,[14] stating that its goal was to allow for a flexible and dynamic future in a world of changing technologies.[15] Although courts had repeatedly ruled upon the doctrine of fair use, Congress noted that no real definition of the concept ever emerged.[16] As such, the enumerated fair use factors were declared a non-exclusive

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[10] *See*, *e.g.*, *Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4901).

[11] "[T]he courts *must* be free to adapt the [fair use] doctrine to particular situations on a case-by-case basis," H.R. REP. NO. 94-1476, at 5680 (emphasis added), as the doctrine had been raised, and recognized, continuously over the years as a necessary defense to infringement claims. *Id.* at 5679. *See also Emerson v. Davies*, 8 F. Cas. 615, 619 (No. 4,436) (C.C.D. Mass. 1845) ("[I]n truth, in literature, in science, and in art, there are, and can be, few, if any, things, which, are strictly new and original throughout. Every book in literature, science and art, borrows…").

[12] Although it is necessary "to secure every man in the enjoyment of his copy-right, one must not put manacles upon science." *Carey v. Kearsley*, 170 Eng. Rep. 679, 681 (K.B. 1803). These sentiments were confirmed in subsequent cases by the Court. *See, e.g.*, *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 575 (1994).

[13] *See, e.g.*, *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 555 (1985) (ruling that "[u]nder ordinary circumstances, the author's right to control the first public appearance of his undisseminated expression will outweigh a claim of fair use."). *C.f. Salinger v. Random House, Inc.*, 811 F.2d 90 (2d Cir.), *cert. denied*, 484 U.S. 890 (1987) (ruling that the unpublished nature of personal letters mailed to various recipients rendered fair use inapplicable).

[14] "Section 107 is intended to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way." H.R. REP. NO. 94-1476, at 5680.

[15] "The bill endorses the purpose and general scope of the judicial doctrine, but there is no disposition to freeze the doctrine in the statute, especially during a period of rapid technological change." *Id.* This rationale was based in part on the fact that, since its origins, "the law of copyright [had] developed in response to significant changes in technology." *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 430 (1984).

[16] H.R. REP. NO. 94-1476, at 5679.

list,[17] granting courts the discretion to consider other factors that might have a bearing upon the determination.[18]

Although such flexibility has allowed courts to accommodate novel technological uses, it has resulted in conflicting applications of the doctrine.[19] As courts can "avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law was designed to foster,"[20] litigants are left without a predictable indicator of what constitutes a fair use. Technological changes, in fact, often yield judicial decisions which contravene traditional fair use principles.[21] This uncertainty plagues the public, which in instances may avoid a use, potentially fair, simply because of the complexity of the doctrine and the fear of litigation.[22]

Decisions involving new technologies have, however, evidenced a common thread. Courts have been prone to find fair use where a ruling of infringement would suppress a useful

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[17] "The terms 'including' and 'such as' are illustrative, not limitative." Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified as 17 U.S.C. § 101).

[18] A number of courts have applied additional factors where relevant. *See* PATRY, *supra* note 4, at 415; GOLDSTEIN, *supra* note 7, at § 10.2.

[19] *See, e.g.*, *Williams & Wilkins Co. v. United States*, 487 F.2d 1345 (Ct. Cl. 1973), *aff'd by an equally divided court*, 420 U.S. 376 (1975) (holding that the photography of an entire article from a specialized low circulation medical journal constituted fair use). *C.f. American Geophysical Union v. Texaco*, 60 F.3d 913 (2d Cir. 1994) (holding that a profit-seeking company's photocopying for research purposes of scientific journal articles is not fair use).

[20] *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994) (quoting *Stewart v. Abend*, 495 U.S. 207, 236 (1990)).

[21] New technology cases have departed from the tendency to deny fair use when an entire work is copied, or to prefer a productive use context where an author builds on the work of another. *See, e.g.*, *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 417 (1984) (ruling that private, non-commercial taping of "free" television programming for time-shifting purposes is fair use). *But see Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2764 (2005) (holding distributor of a device with the object to infringe copyright liable for the resulting acts of infringement by third parties using the device, regardless of the device's lawful uses).

[22] *See generally* WILLFUL INFRINGEMENT (Fiat Lucre LLC 2003), *available at* http://willfulinfringement.com/WillfulinfringementFLM.asp (discussing the unintended consequences of extending copyright protection). *See also Ramsey*, *supra* note 5, at 13.

new technology and the harm to the plaintiff's market appears *de minimis*.[23] This tendency is predicated on the fact that copyright was designed for the public benefit.[24] So long as creative incentives remain sufficient, the public interest demands the allowance of a useful new technology.[25] Although this hasn't necessarily established predictability, the mere existence of this commonality indicates that fair use can become more predictive as courts hone their focus on the fair use factors *in light of* copyright's utilitarian objective.

B. FAIR USE IS INTEGRAL TO COPYRIGHT LAW'S CONSTITUTIONAL OBJECTIVE OF THE INTELLECTUAL ENRICHMENT OF THE PUBLIC.

Fair use is an integral component of copyright law.[26] Courts must not apply the doctrine grudgingly, as it is not an occasional departure from the grand conception of copyright.[27] Rather, its foundation provides the necessary support to ensure that the system functions to benefit the public.[28] As such, the statutory fair use factors are "to be explored, and the results weighed together, in light of the *purposes* of copyright."[29]

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[23] *See*, *e.g.*, *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 417 (1984) [hereinafter *Betamax*]; *Williams & Wilkins*, 497 F.2d at 1345. *But see American Geophysical Union v. Texaco*, 60 F.3d 913 (2d Cir. 1994). *Compare with Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2770-74 (2005).

[24] *See, e.g.*, *Betamax*, 464 U.S. at 417.

[25] U.S. CONST., Art. I, § 8, Cl. 8.

[26] "[Fair use] was the child of the common law that sought to accommodate a *statutory* scheme, the goal of which was to 'encourage… learned men to compose and write useful books," by allowing a second author to use, under certain conditions, a portion of a prior author's work, where that second author would himself produce a work promoting the expressed goal." PATRY, *supra* note 4, at 5 (emphasis in original) (quoting 8 Anne c.19 § 1 (1710)). If it is true, as Justice Story noted, that few, if any, works do *not* build upon the efforts of prior authors, *Emerson*, *supra* note 11, it is natural to conclude that fair use is an integral component of copyright law in achieving fair use's utilitarian goal. *See, e.g.*, GOLDSTEIN, *supra* note 7, § 10.1.

[27] Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1110 (1990) ("Fair use should not be considered a bizarre, occasionally tolerated departure from the grand conception of the copyright monopoly.").

[28] *Id.* (discussing fair use as a necessary ingredient to fulfill copyright's utilitarian objective).

[29] *Campbell*, 510 U.S. at 578 (emphasis added).

Courts, however, often allow the facts of a given case to overshadow copyright principles. This is due, in part, to the nature of fair use, as it necessitates that courts adhere to a case-by-case analysis.[30] But more pointedly, this is due to the judiciary's susceptibility to allow a party's character to become relevant to the fair use determination.[31] The temptation for judges to allow legal analysis to be shaped by the "right" outcome is understandable.[32] In *Hustler*, for example, the Ninth Circuit was forced to determine whether the Reverend Jerry Falwell's opportunistic, commercial exploitation of Hustler's tasteless parody ad, which depicted the Reverend as having had an incestuous sexual experience with his mother, constituted fair use.[33] The majority affirmed the Reverend's use, "even after resolving all factual issues in favor of Hustler."[34]

By focusing on the moral fiber of each party, the Ninth Circuit allowed such qualities to overshadow the actual concern for public gain.[35] The dissent noted this, stating that the majority cursorily declared the Reverend's "responsive" use fair partially because of the

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[30] *See*, *e.g.*, *Harper & Row*, 471 U.S. at 560 (stating that the fair use analysis is not to be simplified with bright-line rules, as the doctrine calls for a case-by-case analysis); H.R. REP. NO. 94-1476, at 65 ("[S]ince the doctrine is an equitable rule of reason, no generally applicable definition is possible, and each case must be decided on its own facts.").

[31] For example, many courts have singled out advertising as quintessentially commercial and therefore not favored as fair use, GOLDSTEIN, *supra* note 7, at § 10.2.2.1(a), but advertisements *may* represent a particularly effective means for informing the public of important facts. *Id. See, e.g.*, *Hustler Magazine, Inc. v. Moral Majority, Inc.*, 796 F.2d 1148, 1149-50 (9th Cir. 1986) (discussing the Reverend Jerry Falwell's fair advertising use of Hustler's original parody ad which made several inflammatory comments targeting the Reverend).

[32] "In all areas of law, judges are tempted to rely on findings of good or bad faith to justify a decision. Such reasoning permits us to avoid rewarding morally questionable conduct." *Leval*, 103 HARV. L. REV. at 1126.

[33] *Hustler*, 796 F.2d at 1149-50.

[34] *Id.* at 1156.

[35] *Id.* at 1157-58 (Poole, J., dissenting). To be sure, the personal attack is relevant to the fair use analysis, but Falwell went beyond the public's interest in defense through criticism and commentary, *id.*, and "actively sought to exploit the emotional impact of the work to raise money. *Id.*

Reverend's need for self-defense against Hustler's derogatory personal attack.[36] Devoid from the majority's analysis was any plausible explanation as to how the Reverend's "defensive" statement about pornography was not merely calculated to exploit Hustler's acts,[37] given the admission that the ad was part of a "market approach" to fund raising.[38] When one considers that the proper bounds of fair use are the benefits to the public, it becomes clear that a party's status or intentions are largely irrelevant to, and misplaced in, the context of the fair use analysis.[39]

While it is true that Congress mandates the consideration of a use's nature, such as its denomination as nonprofit or commercial,[40] this consideration must be judicially limited,[41] and qualified to reflect copyright's goal of public enrichment.[42] Reliance on faith "[not only] produces anomalies that conflict with the goals of copyright[, but] adds to the confusion surrounding the doctrine."[43] For example, in *Texaco*, Dr. Chickering, a scientist at a Texaco research center, photocopied eight articles out of a scientific journal purchased by Texaco to use

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[36] *Id.*

[37] *Id.* at 1152 (majority opinion).

[38] *Id.*

[39] *See, e.g.*, *Leval*, 103 HARV. L. REV. at 1128 (stating that fair use depends on factors pertinent to the objective of copyright law, and not on the morality or motives of the parties); *Reed v. Holliday*, 19 F. 325 (C.C.W.D. Pa. 1884).

[40] 17 U.S.C. § 107(1).

[41] GOLDSTEIN, *supra* note 7, at § 10.2.2.1(a) ("On principle, it is far from clear that the commercial-noncommercial distinction should receive any weight at all, except perhaps as a covert subsidy to worthy nonprofit enterprises such as schools and universities.").

[42] If commerciality carried significant force against a finding of fair use, the commercial distinction "would swallow nearly all of the illustrative uses listed in the preamble paragraph of § 107." *Campbell*, 510 U.S. at 519.

[43] *Leval*, 103 HARV. L. REV. at 1126.

in his research.[44] In declining to find fair use, the Second Circuit's rationale rested, in part, on the fact that Texaco, as a large commercial enterprise, could afford to purchase additional copies of scientific journal articles.[45] This commercial-noncommercial distinction "has little direct bearing on either the benefits or the losses produced by a defendant's use."[46] The fact that an individual scientist, rather than a large corporation, is engaging in copying for scientific research, does not yield any insight into, nor alter, the public's potential benefit from the use.[47] Fair use must, therefore, focus on whether the secondary use is of the *type* that the doctrine was created to protect.

Ensuring that fair use reflects utilitarian principles is a natural conclusion when one considers the concept of copyright. The immediate effect of the copyright grant is to assure the author a fair return.[48] But this limited grant "is intended to motivate the creative activity of authors and inventors..., allow[ing] the public access to the products of their genius *after* the limited period of exclusive control has expired."[49] The inference to be drawn is that "in the absence of [] public benefit, the grant of a copyright monopoly to individuals would be

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[44] *American Geophysical Union v. Texaco*, 60 F.3d 913, 915 (2d Cir. 1994).

[45] *Id.* at 931 (Jacobs, J., dissenting). This conclusion is reinforced by the court's statement that had the scientist whose photocopying practices were called into question *not* been in an institutional environment, the character of his purpose would militate in favor of finding fair use. *Id.* at 935. *C.f. id.* at 920 n.6 (majority opinion).

[46] GOLDSTEIN, *supra* note 7, at § 10.2.2.1(a).

[47] *Texaco*, 60 F.3d at 936 (Jacobs, J., dissenting).

[48] *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975).

[49] *Betamax*, 464 U.S. at 417 (emphasis added).

unjustified."[50] Thus, "[t]he monopoly created by copyright [] rewards the individual author *in order* to benefit the public."[51]

This functional basis of copyright coincides with the trend in decisions involving new technologies of finding fair use where market harm is *de minimis* and the new technology useful.[52] As we proceed into the digital age, the doctrine of fair use should become broader, accommodating new technologies for the public benefit, rather than more narrow.[53] Except when necessary to ensure the public benefit, public policy weighs against permitting private economic monopolies.[54] In order to ensure that, as technology evolves, courts view fair use through the "constitutional" lens, and subsequent rulings conform to this trend, it is necessary to reexamine the fair use factors in light of the aforementioned principles.

There are four statutory factors: (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used; and (4) the market effect of the potential use.[55] Although each directs attention to a different facet of the problem,[56] there is substantial overlap between them.[57] The factors do not represent a

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[50] 1 M. NIMMER & D. NIMMER, NIMMER ON COPYRIGHT §1.03[A] (2005). *See also Aiken*, 422 U.S. at 156; *Betamax*, 464 U.S. at 417.

[51] *Betamax*, 464 U.S. at 477 (emphasis added).

[52] *See supra* text accompanying note 7.

[53] *See, e.g.*, *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2776 n.8 (2005) ("[W]idespread distribution of creative works through improved technologies may enable the synthesis of new works or generate audiences for emerging artists.").

[54] 1 NIMMER, *supra* note 50, at § 1.03[A]. Thus, *assuming* the "insignificant" weight of the second and third factors, detriment to the market must *outweigh* the utility and productiveness of the secondary use in order for a court to reject a fair use defense. This is not to say that a plaintiff carries the burden of proof, but merely to demonstrate that copyright's ultimate goal is to reward the public, rather than the plaintiff.

[55] 17 U.S.C. § 107.

[56] *Leval*, 103 HARV. L. REV. at 1110.

scorecard;[58] the relative weight each is assigned will depend on the court and the case.[59] Given this flexibility and "boundlessness," it is critical that courts ensure that each factor is qualified to reflect copyright's utilitarian goal, and the factors are weighted in order to guarantee the minimum creative incentives necessary to maximize public benefit.

III. TO MAXIMIZE PUBLIC BENEFIT, THE FIRST FACTOR MUST HIGHLIGHT THE PRODUCTIVE PURPOSE AND UTILITY OF THE SECONDARY USE, AND DOWNPLAY INCIDENTAL COMMERCIALISM.

The first factor requires courts to explore "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes."[60] In analyzing this factor, courts generally focused on two aspects of the secondary use: productivity and commerciality.[61] After *Campbell*, confusion arose as to whether "productivity" was a proper label under this analysis;[62] the *Campbell* Court used the term "transformative" in analyzing whether the new work merely supplanted the objects of the original.[63] The result was a judicial shift in focus a use's productivity to its degree of transformation.[64]

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[57] GOLDSTEIN, *supra* note 7, at § 10.2.2.1.

[58] *Leval*, 103 HARV. L. REV. at 1110.

[59] GOLDSTEIN, *supra* note 7, at § 10.2.2.

[60] 17 U.S.C. § 107(1).

[61] *See, e.g.*, *Betamax* 464 U.S. at 417 n.40; *Campbell*, 510 U.S. at 578-79; 4 NIMMER, *supra* note 50, at 13.05[A][1][b]-[c].

[62] *See, e.g.*, 4 NIMMER, *supra* note 50, at 13.05[A][1][b] (discussing the effects of the *Campbell* Court's use of the "transformative" moniker).

[63] For the precise language used in *Campbell*, *see* 510 U.S. at 579.

[64] A survey of decisions indicates that the majority of courts focus primarily on the transformative nature of the secondary work, rather than its productive purpose. *See, e.g.*, *Texaco*, 60 F.3d at 922; *Kelly*, 336 F.3d at 818; *Buena Vista Home Entm't, Inc. v. Video Pipeline, Inc.*, 342 F.3d 191, 198 (3rd Cir. 2003); *Perfect 10 v. Google, Inc.*, 416 F. Supp. 2d 828, 847 (C.D. Cal. 2006).

While the transformative inquiry is relevant to a use's purpose, the subsequent neglect of productivity was not only unintended by the *Campbell* Court, but also frustrates copyright's utilitarian aim. *Campbell* was concerned with the parody of a song.[65] As such, reliance on the term "transformative" made sense; such a moniker more properly suits works that seek more directly to comment, rather than build, upon the past.[66] If the term "productive" had been retained in parody context, it would have been more difficult for courts to justify comment and criticism as fair use.[67] Further, although the *Campbell* Court stated that the central purpose of their inquiry was to see whether the new work merely superseded the objects of the original creation,[68] this statement was in reference to uses such as "criticism, or comment, or news reporting, *and the like*."[69] Thus, it is quite plausible that the Court desired the transformative aspect to dominate the first factor inquiry only in the stated contexts.

In any event, strict reliance on a transformative inquiry misses the utilitarian focus of copyright. While it is true that "the goal of copyright is generally furthered by the creation of transformative [uses,]"[70] and transformative uses are generally productive,[71] it does not follow

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[65] *Campbell*, 510 U.S. at 571.

[66] To be sure, parodies must utilize the past in order to "conjure up" the original work. *Id.* at 588. But parodies are deserving of substantial freedom not because of their productivity in promoting the progress of science and the useful arts; rather, it is because they serve as a vehicle for social and literary criticism. GOLDSTEIN, *supra* note 7, at § 10.2.1.2.

[67] *See, e.g.*, *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 806 (9th Cir. 2003) (ruling defendant's photography depicting Barbie dolls in absurd and sexualized positions was fair use designed to comment on social norms); *Leibovitz v. Paramount Pictures Corp.*, 137 F.3d 109, 114 (2d Cir. 1998) (ruling defendant's advertisement superimposing actor's face on plaintiff's well-known photograph of a nude, pregnant actress constituted parody). Such uses are more difficult to justify in terms of "productive" purpose, as opposed to "transformative" purpose.

[68] *Campbell*, 510 U.S. at 579.

[69] *Id.* at 579-80 (emphasis added). Interestingly, the Court omitted the uses in the preamble that seem to conflict with the "transformative" moniker, namely "teaching [], scholarship, [and] research." 17 U.S.C. § 107.

[70] *Campbell*, 510 U.S. at 579.

that productive uses are generally transformative.[72] Productive uses are, however, by their nature, at the very heart of copyright's utilitarian goal.[73] Although the *Campbell* Court noted that transformation use is not necessary for fair use,[74] and commentators have stated that "[w]hatever the label,… productive use is… of crucial importance to the fair use analysis,"[75] the transformative moniker has nonetheless had a negative impact on the fair use doctrine's predictability and its role in copyright's mandate to benefit the public.[76]

The Second Circuit's decision in *Texaco* provides an example of how the transformative label can cause courts to overlook the productive nature of a use. In *Texaco*, Dr. Chickering did not immediately use the articles that he had photocopied for scientific research, but placed them in his files to have available for future reference.[77] In ruling on the first factor, the court emphasized the fact that "the secondary use involve[d] merely an untransformed duplication,

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[71] Courts have rightfully assumed that there is an inherent and productive social value in a parody's ability to shed light on an original work through comment and criticism. *Campbell*, 510 U.S. at 579. *See generally Betamax*, 464 U.S. at 478-80 (Blackmun, J., dissenting).

[72] *See, e.g.*, *Grokster*, 125 S. Ct. at 2770; *Texaco*, 60 F.3d at 922-24. *C.f. Betamax*, 464 U.S. at 448.

[73] *Betamax*, 464 U.S. at 478. It should be noted that "productive" is defined here in terms of a secondary work's social utility and potential use in facilitating new developments. *Id.* at 456 n.40. *C.f. supra* text accompanying note 71.

[74] *Campbell*, 510 U.S. at 579. Additionally, the *Campbell* Court stated that the more transformative the new work, the less the significance of other factors such as commercialism, *id.*, further inviting lower courts to overemphasize the transformative inquiry.

[75] *See, e.g.*, 4 NIMMER, *supra* note 50, at § 13.05[A][1][b].

[76] *See, e.g.*, *Ty, Inc. v. Publ'ns Int'l, Ltd.*, 81 F. Supp. 2d 899, 905 (N.D. Ill. 2000), *rev'd* 292 F.3d 512 (7th Cir. 2002); *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1401 (9th Cir.), *cert. dismissed*, 521 U.S. 1146 (1997); *Texaco*, 60 F.3d at 922-24; *Perfect 10 v. Google, Inc.*, 416 F. Supp. 2d 828, 847-49 (C.D. Cal. 2006); *Columbia Pictures Enters., L.P. v. Miramax Films Corp.*, 11 F. Supp. 2d 1179, 1182 (C.D. Cal. 1998).

[77] *Texaco*, 60 F.3d at 915.

[and as such] the value generated… [was] little… more than the value that inhere[d] in the original."[78]

This neglects the productive nature of the use. As the dissent noted, the photocopying of journal articles as part of ongoing scientific research fits squarely within the scope of the illustrative fair uses in § 107.[79] These articles were duplicated "to assist the memory, curiosity and ongoing inquiries of a single researcher."[80] While it may be true that a photocopy is an untransformed duplication,[81] it is a step in the process of taking and keeping notes, which are "important raw material[s] in the synthesis of new ideas."[82] Because this step "ordinarily entail[s] no transformation of the material,"[83] the Second Circuit gave insufficient weight to Dr. Chickering's productive purpose.

A. IN THE CONTEXT OF NEW TECHNOLOGIES, THE TRANSFORMATIVE MONIKER CONFLICTS WITH COPYRIGHT'S UTILITARIAN GOAL.

The transformative label has an even greater negative impact in the context of new technologies. Copyright law "leans in favor of protecting technology."[84] Yet a transformative focus discourages fresh developments. Because new technologies are designed to "disseminate information and ideas more broadly or more efficiently,"[85] they often "entail no transformation

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[78] *Id.* at 923.

[79] *Id.* at 933 (Jacobs, J., dissenting). *See* 17 U.S.C. § 107 ("[T]he fair use of a copyrighted work… for purposes such as… teaching…, scholarship, or research, is not an infringement of copyright.").

[80] *Texaco*, 60 F.3d at 933 (Jacobs, J., dissenting).

[81] *Id.* at 923 (majority opinion).

[82] *Id.* at 935 (Jacobs, J., dissenting).

[83] *Id.*

[84] *Grokster*, 125 U.S. at 2793 (Breyer, J., concurring).

of [] material."[86] Thus, although transformation is not needed for fair use,[87] its absence consistently weighs against a useful technology's primary justification against the copyright owner's interests.[88]

The Court for the Central District of California's recent decision in *Perfect 10* provides an example of how the nature of a new technology is often in juxtaposition with the requirement of a transformative use. In *Perfect 10*, Google used thumbnails of images owned by Perfect 10, an adult magazine, in order to present the results of queries to its "image" search engine.[89] Perfect 10 sought injunctive relief to prohibit Google from using any thumbnail of a Perfect 10 image in the operation of its search engine.[90]

In granting a preliminary injunction, the court discussed the transformative issue.[91] It noted the value that search engines provide to the public, stating that "Google's use of thumbnails to simplify and expedite *access to information* [was] transformative of P10's use of reduced-size images to entertain."[92] Yet the court went on to rule that Google's use was

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[85] *Id.* at 2791.

[86] *Texaco*, 60 F.3d at 935 (Jacobs, J., dissenting). For example, "VCRs, typewriters, tape recorders, photocopiers, computers, cassette players, compact disc burners, digital video recorders, MP3 players, Internet search engines, and peer-to-peer software," *Grokster*, 125 U.S. at 2792 (Breyer, J., concurring), all aid in the flow of information, but provide minimal to no transformation, at least in a literal sense, of the original work.

[87] *Campbell*, 510 U.S. at 579.

[88] *See, e.g.*, *Leval*, 103 HARV. L. REV. at 1110-11 (stating that the secondary user's claim of fair use turns primarily on the user's justification of the purpose and character of the secondary use). Although the other factors are relevant to determine the applicability of fair use, those factors, unlike the first one, are concerned "with protecting the incentives of authorship." *Id.* at 1116.

[89] *Perfect 10 v. Google, Inc.*, 416 F. Supp. 2d 828, 833-34 (C.D. Cal. 2006).

[90] *Id.* at 834-35.

[91] *Id.* at 847-49.

[92] *Id.* at 849 (emphasis added).

consumptive.[93] The court stated that as Perfect 10 had entered the market for sale of thumbnail images to cell phones, Google's use was consumptive in the sense that it superseded Perfect 10's use of reduced-sized images.[94]

Although the court considered the utility of internet search engines, it failed to give productivity significant weight. The mere existence of a similar use by Perfect 10 rendered Google's use consumptive. Thus, although Google's purpose in displaying thumbnail images was wholly different than Perfect 10's, Google's purpose became largely immaterial because of the existence of a "market" for such images in a separate medium. This seems inconsistent with *Sony*'s assurance that copyright laws are not intended to discourage or control the emergence of new technologies.[95]

Focusing on the productive nature and utility of a new technology avoids such a conflict. It is indisputable that Google's image search engine serves a productive, useful purpose. "[G]iven the exponentially increasing amounts of data on the web, search engines have become essential sources of vital information for individuals, governments, non-profits, and businesses who seek to locate information."[96] As such, this aspect of the fair use factor should, as in the case of many productive technologies designed to aid in the dissemination of information, weigh in Google's favor.[97] An emphasis on the productive and useful nature of technologies such as Google's fits more closely with copyright's utilitarian goal.

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[93] *Id.*

[94] *Id.*

[95] *Grokster*, 125 S. Ct. at 2791 (Breyer, J., concurring).

[96] *Perfect 10*, 416 F. Supp. 2d at 849.

B. DUE TO THE NATURE OF TECHNOLOGICAL DEVELOPMENTS, THE TRANSFORMATIVE LABEL CAUSES COURTS TO CONFLATE THE FIRST AND FOURTH FACTORS.

The transformative requirement causes courts to not only neglect productivity, but to also improperly consider a use's market effect under the first factor.[98] As stated before, the transformative analysis has been framed as "whether the new work merely 'supersede[s] the objects' of the original creation, or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message."[99] Courts have interpreted this as requiring consideration of a use's intended and "incidental" purposes.[100] The phrase "incidental" purpose is more aptly labeled "incidental" effect. However, for an "incidental" effect to be properly considered under the first factor, it must be expressed in terms of purpose, as that is the aim of the first factor.[101] An analysis of a use's "incidental" purpose ultimately leads courts to consider that use's economic impact.

The problem with allowing the economic impact of the secondary use to become relevant to a determination of its purpose is that such an analysis conflates the first and fourth factors. Effectively, a potential negative effect on the market for the original work will be counted against a defendant twice; once under a court's analysis of the secondary use's purpose, and once under that use's effect on the market. If a secondary use can be visualized *in*

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[97] This is not to say that Google's encroachment on Perfect 10's thumbnail image market is irrelevant, but the focus under the first factor is the "purpose and character of the use."

[98] Potential market effect on or decrease in the value of the original work is properly considered under the fourth factor. *See* 17 U.S.C. § 107(4).

[99] *Campbell*, 510 U.S. at 579 (alteration in original).

[100] *See, e.g.*, *Perfect 10*, 416 F. Supp. 2d at 849; *Texaco*, 60 F.3d at 33-41. *C.f. Kelly*, 336 F.3d at 811 (9th Cir. 2003).

[101] 17 U.S.C. § 101(1).

any manner as indirectly competing with the market for the original work, this effect is counted against the secondary use's purpose, as the use "supersede[s] the objects[] of the original."[102] This is true despite the fact that this purpose may be closely in tune with copyright's utilitarian aim.

The transformative label raises this precise dilemma in the digital era, where new technologies are often designed to aid in the flow of information, but have little transformative "value." There is always the threat that such technologies may be utilized in a manner so as to "supplant the original [work]."[103] Thus, despite that the purpose of such technologies is closely aligned with copyright's utilitarian goal, the same is viewed as weighing against fair use. For example, in *Perfect 10*, the court found that the search engine's purpose weighed against Google, as "Google's use of thumbnails supersede[d] this use of P10's images,[sic] because mobile users can download and save the thumbnails displayed by Google Image Search onto their phones."[104] But simply because the copyright holder develops a way to exact an additional price should not alter the search engine's purpose under the first factor; the advent of this new market bears upon the distinct question raised by the fourth factor.[105] The right to expand ways to charge for new copies of an original work must be limited to those expansions necessary to

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[102] *Folsom*, 9 F. Cas. at 348. This is not to say that this indirect competition is irrelevant. To the contrary, it is highly relevant under the market analysis mandated by the fourth factor.

[103] *Harper & Row*, 471 U.S. at 562.

[104] *Perfect 10*, 416 F. Supp. 2d at 849. Similarly, in *Texaco*, the court found that the transformative use factor weighed against Texaco because, to the extent that photocopying for research was transformative prior to licensing, the birth of that market rendered this use as superseding the original, and as such, non-transformative. *Texaco*, 60 F.3d at 924.

[105] *See, e.g.*, *Texaco*, 60 F.3d at 934 (Jacobs, J., dissenting).

maintain adequate incentives for authorship *of the original work*.[106] In this instance, it can hardly be said that Perfect 10's expansion into the cell phone thumbnail image market was necessary for it to maintain ample revenue to continue the photography and sale of pornographic images.

While it is true that the four statutory factors are not to be treated in isolation from one another,[107] it was not the Court's intent to have the secondary use's effect on the market carry weight under the first factor.[108] This factor's end in the fair use inquiry is to establish the purpose of the secondary use; degree of transformation is merely one possible aid in making this determination.[109] Eliminating the transformative label, and focusing on the productive purpose and utility of the secondary use, would alleviate this conflation of factors. For example, in *Kelly*, another case involving the use of thumbnail images by an internet search engine, the Ninth Circuit found that the first factor weighed in favor of Arriba, the creator of the search engine, because Arriba "[had] created a different purpose for the images."[110] By emphasizing utility and the public benefit, the *Kelly* Court avoided allowing the search engine's "incidental" purpose to become relevant to the first factor analysis.[111] Note that this previously

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[106] *See, e.g.*, U.S. CONST., Art. I, § 8, Cl. 8; *Grokster*, 125 S. Ct. at 2775; *Betamax*, 464 U.S. at 442; *Leval*, 103 HARV. L. REV. at 1110.

[107] *Campbell*, 510 U.S. at 578.

[108] In analyzing the transformative issue, the *Campbell* Court used the oft-quoted language of Justice Story; namely, whether the work merely "supersede[s] the objects" of the original. *Id.* at 579. Justice Story originally used this language in the market effect context. *Folsom*, 9 F. Cas. at 348 ("[L]ook to… the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.").

[109] *Campbell*, 510 U.S. at 578. *See also* 17 § 107(1).

[110] *Kelly*, *supra* note 6, 336 F.3d at 820.

[111] *Kelly*, 336 F.3d at 819. Admittedly, the court did note that Arriba's use did not supersede plaintiff's because enlarging thumbnail images would sacrifice clarity, thus indirectly noting that the secondary use did not affect plaintiff's market. *Id.* However, the court repeatedly emphasized that Arriba's success under the first factor was because it had created a new purpose for plaintiff's images. *Id.* at 819-20. And in any event, the court's focus on

mentioned shift in judicial focus does not foreclose the possibility that the first factor might weigh against a new technology. In cases where a technology appears designed primarily to facilitate infringement, but *may* be utilized to aid in the flow of information, the purpose may weigh against such a use.[112]

C. THE COMMERCIAL NATURE OF A DEFENDANT'S SECONDARY USE MUST BE DE-EMPHASIZED TO RETAIN FOCUS ON THE PUBLIC INTEREST.

An emphasis on productive purpose and utility does not fully purge the problematic nature of the first factor. The first factor also requires courts to consider the commercial nature of the secondary use.[113] The rationale for this requirement is twofold: (1) an infringing use designed primarily for private commercial gain does not further the public interest;[114] and (2) complete neglect of a defendant's gain interferes with copyright's management of balancing artistic protection against public benefit.[115] If works can be readily exploited by third parties to generate a profit with no acknowledgement to the author, creative incentives may be diminished.[116]

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the public benefit of Arriba's purpose should not change simply because plaintiff discovers a new way to exact an additional price; this fact should be considered solely under the fourth factor.

[112] *See, e.g.*, *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1015 (ruling that peer-to-peer that stored MP3s in server-side "library" was utilized primarily for copyright infringement); *Grokster*, 125 S.Ct. at 2776-78 (ruling that peer-to-peer software with no centralized servers was utilized primarily for copyright infringement). Such conclusions, however, will require a case-by-case analysis. *Betamax*, 464 U.S. at 447-456 (ruling that home videotape recorders were capable of substantial non-infringing uses).

[113] 17 U.S.C. § 107(1). *See also Betamax*, 464 U.S. at 451; *Campbell*, 510 U.S. at 578-85.

[114] 4 NIMMER, *supra* note 50, at 13.05[A][1][c]. *See also* GOLDSTEIN, *supra* note 7, at § 10.2.2.1(a) ("The commercial-noncommercial distinction, though it makes little sense when it divides profit-seeking and nonprofit activities, enjoys considerably more justification when it divides between public and private uses of copyrighted works…").

[115] *See, e.g.*, *Grokster*, 125 S.Ct. at 2775.

[116] *See, e.g.*, *Texaco*, 60 F.3d at 940-41 (Jacobs, J., dissenting) (discussing the tradeoff between creative incentives and public benefit).

The difficulty arises in the context of "intermediate" uses, where "commercial 'exploitation' is indirect or derivative."[117] The Court has stated that although a commercial purpose tends to weigh against fair use, "the force of that tendency will vary with the context."[118] Given this ambiguity, courts often struggle in determining what degree of attenuation sufficiently eliminates the taint of commerciality.[119] In the digital age, confusion has been aggravated by new forms of advertising, such as banner ads and "clickthrough" schemes.[120] For example, in *Perfect 10* the court found Google's purpose highly commercial because of its AdSense program, which "allows third party websites 'to carry Google-sponsored advertising and share revenue' that flows from the advertising displays and click-throughs."[121] The court reasoned that Google's AdSense partners that contain infringing copies of Perfect 10's photographs "directly benefit Google's bottom line."[122] Google contended that "its AdSense Program Policies prohibit a website from registering as an AdSense partner if the site's webpages contain images that appear in Google Image Search results."[123] The court rejected this

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[117] *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1522-23 (9th Cir. 1992). *See also Texaco*, 60 F.3d at 921 (characterizing Texaco's photocopying as an "intermediate" use).

[118] *Campbell*, 510 U.S. at 585. *See also Rogers v. Koons*, 960 F.2d 301, 309 (2d. Cir.), *cert. denied*, 113 S. Ct. 365 (1992) ("Whether the profit element of the fair use calculus affects the ultimate determination of whether there is a fair use depends on the totality of the factors considered; it is not controlling.").

[119] *See, e.g.*, PATRY, *supra* note 4, at 423-24 (discussing the mixed results that intermediate uses have led to).

[120] In the "banner advertising" scheme, the advertiser simply pays a flat rate for ad space on a website. JOHN BATTELLE, THE SEARCH 166 (Portfolio 2005). By contrast, clickthrough, or performance-based, advertising is when an advertiser pays for a visitor only when a visitor clicks through an ad and onto the advertiser's site. *Id.* at 109. *See also* David Vise, *Think Again: Google*, FOREIGN POLICY, May/Jun. 2006, at 22; Carolyn O'Hara, *In Google We Trust*, FOREIGN POLICY, Mar./Apr. 2006, *available at* http://www.foreignpolicy.com/story/cms.php?story_id=3387.

[121] *Perfect 10*, 416 F. Supp. 2d at 846. *C.f. Kelly*, 336 F.3d at 818.

[122] *Perfect 10*, 416 F. Supp. 2d at 847.

[123] *Id.* at 846.

argument as Google failed to adduce evidence of enforcement of its policy.[124] Had Google demonstrated enforcement, there is a strong possibility the court would've found that the first factor, and the fair use analysis, weighed in Google's favor, as Google's publicly beneficial purpose would not have been clouded in the slightest by private gain from infringement.

In any event, the problem with the court's analysis is that it neglects that copyright's chief aim is "to stimulate artistic creativity for the general public good."[125] Understandably, it is difficult for courts to determine what degree of emphasis should be placed on incidental commercial gains, as even the scholar "hopes to earn a living through his scholarship."[126] But assuming the utility and public benefit of a secondary use, a defendant's indirect commercial purpose is only relevant insomuch as it may reduce the original creator's incentives for authorship.[127] In the absence of a detrimental impact on creative incentives,[128] a defendant's commercial gain should not carry significant, if any, weight.[129]

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[124] *Id.* at 846-47.

[125] *Aiken*, 422 U.S. at 156.

[126] 4 NIMMER, *supra* note 50, at § 13.05[A][1][a].

[127] *See, e.g.*, *Texaco*, 60 F.3d at 939-40 (Jacobs, J., dissenting) ("[S]o long as the copyright system assures sufficient revenue to print and distribute scientific journals, the level of copyright revenue is not among the incentives that drive the authors to the creative acts that the copyright laws are intended to foster.").

[128] Note that a non-commercial purpose can nonetheless have a devastating impact on the market. *See, e.g.*, *Grokster*, 125 S.Ct. at 2770-73 (discussing market effect of non-commercial peer-to-peer networks). Courts can take this into account under the first factor if a defendant's purpose is to foster infringement, *Id.* at 2780, as the fair use doctrine is an equitable rule of reason. H.R. REP. NO. 94-1476, at 5679. In the absence of such evidence, a court can achieve copyright's balance of interests by directly assessing whether the harm to the market under the fourth factor irreparably reduces creative incentives.

[129] As long as copyright protection assures sufficient revenue to maintain creative incentives from the *author's* perspective, a defendant's commercial gain is largely irrelevant; "[n]owhere in the case law is there support for the proposition that the monopoly granted by copyright is designed to ensure the holder a maximum economic return." *Texaco*, 60 F.3d at 941 (Jacobs, J., dissenting) (citing *Fogerty v. Fantasy, Inc.*, 114 S. Ct. 1023, 1029 (1994)).

In characterizing Google's use of Perfect 10's thumbnail images as commercial, the court in *Perfect 10* entirely failed to mention whether such a use would diminish Perfect 10's incentives to create its high-quality, nude photographs of "natural" models.[130] Indeed, the court summarily concluded that as Google benefited commercially from potential infringement of Perfect 10's images, its use was highly commercial.[131] This conclusion erroneously presumes that the discouragement of infringement is the primary goal of copyright; the goal of copyright protection is to stimulate artistic creativity.[132] Had the court framed the inquiry in terms of whether Google's "commercial" purpose reduced Perfect 10's creative incentives for production of its photography, its conclusions would have been more informed by the utilitarian nature of copyright.[133]

This is not to say that, under this analysis, Perfect 10 could not have demonstrated that Google's purpose was privately commercial rather than publicly beneficial. For example, if Google had altered the ranks of its primary search results in a manner such that the results were not sorted by relevance,[134] but by sponsorship, Google's purpose would no longer be the pure facilitation of useful information. Rather, Google's purpose would be to provide the user with

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[130] *Perfect 10*, 416 F. Supp. 2d at 846-47.

[131] *Id.* at 847. This is not to say that there is not a correlation between the commercial nature of a defendant's use and a potential reduction in creative incentives. But the court neglected to mention that Google's use would yield such a result, indicating the court's rationale was largely based on ensuring Perfect 10 a maximum economic return. *See, e.g.*, *Texaco*, 60 F.3d at 941 (Jacobs, J., dissenting).

[132] *See, e.g.*, *Fogerty*, 114 S. Ct. at 1029 ("While it true that one of the goals of the Copyright Act is to discourage infringement, it by no means the only goal of that Act… The immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity."); *Aiken*, 422 U.S. at 156; *Betamax*, 464 U.S. at 477; 1 NIMMER, *supra* note 50, at §1.03[A].

[133] *See, e.g.*, *Texaco*, 60 F.3d at 939-41 (Jacobs, J., dissenting). *C.f. Id.* at 921-22 (majority opinion).

[134] *See, e.g.*, BATTELLE, *supra* note 120, at 157-59.

the most relevant "sponsor" sites. This would not only limit the results from a query, potentially without the user's knowledge, but would also filter out information and additional viewpoints that may be highly relevant to a user's request.[135] Effectively, such a search algorithm would frustrate, not further, copyright's purpose to enhance public welfare. It is undeniable that, in such a scenario, Perfect 10 could readily color Google's purpose and use as for private gain, weighing against fair use, rather than for public benefit.

IV. ALTHOUGH THE SECOND FACTOR HAS BEEN PROPERLY APPLIED IN THE CONTEXT OF NEW DEVELOPMENTS, COURTS MUST CONTINUE TO ENSURE THAT CREATIVE ELEMENTS ARE NOT OVERSHADOWED BY THE POTENTIAL FUNCTIONAL USES OF A WORK.

The second fair use factor requires courts to examine "the nature of the copyrighted work."[136] Although the legislative history and case law dealing with this factor are sparse,[137] particularly with respect to new technologies,[138] it is accepted that "[w]orks that are creative in nature are closer to the core of intended copyright protection than are more fact-based works."[139] Copyright protects expression, not facts.[140] The rationale is that informational works more readily lend themselves to productive use by others than creative works of entertainment.[141] Therefore, "the more creative a work, the more protection it should be

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[135] *See, e.g.*, Jacob Weisberg, *Breaking China*, SLATE, Feb. 22, 2006, http://www.slate.com/id/2136777 (discussing Google's filtering of results from queries to Google.cn).

[136] 17 U.S.C. § 107(2).

[137] *See, e.g.*, PATRY, *supra* note 4, at 504; 4 NIMMER, *supra* note 50, at § 13.05[A][2][a]; *Leval*, 103 HARV. L. REV. at 1116.

[138] PATRY, *supra* note 4, at 505 ("Outside of unpublished works, this factor receives little attention.").

[139] *Harper & Row*, 471 U.S. at 564. *See also Campbell*, 510 U.S. at 586.

[140] "[T]here is a clear distinction between the book…and the art which it is intended to illustrate." *Baker v. Selden*, 101 U.S. 99, 102 (1879).

[141] PATRY, *supra* note 4, at 505; *Betamax*, 464 U.S. at 449.

accorded from copying; correlatively, the more informational or functional the plaintiff's work, the broader should be the scope of the fair use defense."[142]

There is a danger, however, in allowing *perceived potential* uses of a work to become relevant to a determination of its nature.[143] "[E]nforcement of rights in factual works poses a greater risk of inhibiting the free flow of information than does the enforcement of rights in fictional entertainments."[144] Condemning a work as functional may require a court to pass judgment on the particular "value" of an artistic representation.[145] For example, in *Perfect 10*, Google argued that Perfect 10's photos were more functional, rather than creative, because they were likely utilized for sexual gratification.[146] The *Perfect 10* court correctly rejected this argument, stating that "[p]hotographs that are meant to be viewed by the public for informative and aesthetic purposes… are generally creative in nature."[147] By avoiding passing judgment on the social value of a work generally accepted as creative,[148] the court's conclusion that the

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[142] 4 NIMMER, *supra* note 50, at § 13.05[A][2][a]. This is, in part, based on the fact that "informational works, such as news reports, that *readily lend themselves to productive use by others*, are less protected than creative works of entertainment. *Betamax*, 464 U.S. at 496-97 (Blackmun, J., dissenting) (emphasis added).

[143] To determine whether a work can be perceived as functional in some manner, courts will look to its potential or "intended" uses. *See, e.g.*, *Nunez v. Caribbean Intern. News Corp.*, 235 F.3d 18 (1st Cir. 2000).

[144] GOLDSTEIN, *supra* note 7, at § 10.2.2.2.

[145] *Nunez*, 235 F.3d at 23.

[146] Google's Opposition to Perfect 10's Motion for Preliminary Injunction at 13, *Perfect 10 v. Google, Inc.*, 416 F. Supp. 2d 828 (C.D. Cal. 2006) (No. CV 04-9484) [hereinafter *Google's Opposition Motion*]. Google argued this despite the accepted maxim that "[p]ictorial, graphic, and sculptural works are usually highly creative, resulting in the second factor tending to weigh against the party asserting fair use." PATRY, *supra* note 4, at 526.

[147] *Perfect 10*, 416 F. Supp. 2d at 849 (citing *Kelly*, 336 F.3d at 820).

[148] *Id. C.f. Nunez*, 235 F.3d at 23 (ruling that the second factor weighed against photographer because photos were not artistic representations designed to express his ideas, emotions, or feelings, but instead a publicity attempt to highlight his client's abilities as a potential model).

second factor weighed in favor of Perfect 10 properly reflected the notion that "[c]opyright is not a privilege reserved for the well-behaved."[149]

Courts must not allow, as Google had argued for, potential functional uses of a work to overshadow creative elements. This risk is particularly acute in the context of new technologies, which are often characterized as "informational" works for purposes of the second factor.[150] Such a characterization may cause courts to pass judgment on the creative value of such works.[151] As such, although this factor has been applied rather uniformly, the judiciary must continue to give deference to creative elements of a work without passing judgment on their "value," thereby ensuring that the second factor properly concerns itself with protecting the incentives of authorship.[152]

V. UNDER THE THIRD FACTOR, THE AMOUNT AND SUBSTANTIALITY OF THE TAKING MUST BE REASONABLE IN RELATION TO THE PURPORTED JUSTIFICATION.

The third factor directs courts to examine "the amount and substantiality of the portion used in relation to the copyrighted work as a whole."[153] Although wholesale copying militates against a finding of fair use,[154] "[t]he extent of permissible copying varies with the purpose and character of the use."[155] Thus, the primary concern is whether the taking is reasonable in

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[149] *Leval*, 103 HARV. L. REV. at 1126.

[150] PATRY, *supra* note 4, at 519-20 (discussing the common characterization of computer programs as "informational" works); GOLDSTEIN, *supra* note 7, at § 10.2.2.2(a) (describing computer programs as functional works).

[151] PATRY, *supra* note 4, at 519-20

[152] *Leval*, 103 HARV. L. REV. at 1116.

[153] 17 U.S.C. § 107(3).

[154] *See, e.g.*, *Worldwide Church of God v. Philadelphia Church of God, Inc.*, 277 F.3d 1110, 1118 (9th Cir. 2000);

relation to purported justification of the secondary use;[156] "excessive copying *not commensurate with the purpose* of the use loses the privilege of fair use."[157]

In *Perfect 10*, Perfect 10 argued that Google's use of thumbnails was a greater taking than necessary to achieve the objective of providing effective image search capabilities.[158] Specifically, Perfect 10 argued that "Google could have provided such assistance through the use of text."[159] In concluding the third factor weighed neither for or against either party, the court rejected the argument that Google could provide an effective search engine in another manner, stating that a substitute such as text would reduce the usefulness of the visual search engine.[160]

This approach correctly reflects that the amount and substantiality of a taking must be commensurate with a use's purpose. Google's search engine, as is the case with many technological developments, is designed to simplify and expedite access to information.[161] In order to present the information to the user in a useful format, Google required the use of "whole" thumbnail images.[162] An individual utilizing an image search engine presumably

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[155] *Campbell*, 510 U.S. at 586-87. *See also Leval*, 103 HARV. L. REV. at 1122 ("[T]he larger the volume (or the greater the importance) of what is taken, the greater the affront to the interests of the copyright owner, and the less likely that a taking will qualify as a fair use.").

[156] GOLDSTEIN, *supra* note 7, at § 10.2.2.3 ("Qualitative measures outweigh quantitative measures in determining the weight to be given to the third factor."); *Leval*, 103 HARV. L. REV. at 1123.

[157] MARSHALL LEAFFER, UNDERSTANDING COPYRIGHT LAW 480 (4th ed. 2005) (emphasis added).

[158] *Perfect 10*, 416 F. Supp. 2d at 850.

[159] *Id.*

[160] *Id.*

[161] *Id.* at 849.

[162] *C.f. Napster*, 239 F.3d at 1018 (rejecting "sampling" as a fair use where the songs in question were full-length, rather than 30-60 second clips).

desires to see a *visual* description of her targeted query; words describing a model or a physically-altered image of a model, either through color alterations, portion removals, or interference, are *not* efficient, workable substitutes.[163] People already have inherent difficulties in realizing physical descriptions.[164] And as Justice Stewart famously stated in his concurrence in *Jacobellis*,[165] it may be impossible to create an intelligible shorthand description of hardcore pornography, *but one knows such pornography when she sees it*.[166] As such, Google's use of "whole" thumbnail images was reasonable in relation to its justification of the expedition of information for the public benefit.

VI. COURTS MUST NOT VIEW THE FOURTH FACTOR AS THE MOST IMPORTANT ELEMENT OF FAIR USE.

The fourth factor is listed as requiring courts to consider "the effect of the use upon the potential market for or value of the copyrighted work."[167] Originally, this factor was characterized as "undoubtedly the single most important element of fair use."[168] Accentuation of the market factor is understandable, as "[a] secondary use that interferes excessively with an

[163] *See, e.g.*, Fred R. Barnard, PRINTERS' INK (formerly MARKETING/COMMUNICATIONS), Mar. 10, 1927, at 114-15 (stating that the loss of color of a picture eliminates its effectiveness). This advertisement helped formed the basis for the quotation "[one] picture is worth 1000 words." *See* Burton Stevenson, THE MACMILLAN BOOK OF PROVERBS, MAXIMS AND FAMOUS PHRASES 2611 (MacMillan Pub. Co. 1948); *See What's a Picture Really Worth?*, http://www2.cs.uregina.ca/~hepting/research/web/words/history.html#TOP (last visited June 6, 2006).

[164] *See generally United States v. Ash*, 413 U.S. 300 (U.S. 1973) (discussing the difficulties of eyewitness identification procedures).

[165] *Jacobellis v. Ohio*, 378 U.S. 184 (U.S. 1964).

[166] *Id.* at 197 (Stewart, J., concurring) ("I shall not today attempt further to define the kinds of material I understand to be embraced within that shorthand description; and perhaps I could never succeed in intelligibly doing so. But I know it when I see it.").

[167] 17 U.S.C. § 107(4).

[168] *Harper & Row*, 471 U.S. at 566.

author's incentives subverts the aim of copyright."[169] However, "[i]n an era when licensing and subsidiary rights have taken on increasing importance,"[170] courts must ensure that a particular potential market is in fact an incentive stimulating an author's creation.[171] As such, although licensing is often an important part of the copyright owner's market,[172] courts must be wary not to overstate the importance of the market factor, as it exists only to serve copyright's utilitarian aim.[173]

A. ALTHOUGH THE FOURTH FACTOR STRIKES THE BALANCE BETWEEN THE PUBLIC BENEFIT AND THE AUTHOR'S INCENTIVES FOR CREATION, IT IS SUBSERVIENT TO COPYRIGHT'S GOAL OF THE INTELLECTUAL STIMULATION OF THE PUBLIC.

The Court's initial stress on the secondary use's market effect is logical when one considers the balance that copyright law aims to strike. "The utilitarian concept underlying the copyright promises authors the opportunity to realize rewards in order to encourage them to create."[174] If authors are granted insufficient protection, creative incentives may be significantly reduced, thereby harming the benefits the public might receive.[175] On the other hand, "[t]he

[169] *Leval*, 103 HARV. L. REV. at 1125.

[170] PATRY, *supra* note 4, at 557.

[171] The danger is that if a court's interpretation of the potential market is too broad, the fourth factor will always weigh against fair use since there is always a potential licensing market that a copyright holder could exploit. *Id.*; GOLDSTEIN, *supra* note 7, at § 10.2.2.4.

[172] PATRY, *supra* note 4, at 557.

[173] *See, e.g.*, *Campbell*, 510 U.S. at 577-78 (stating that the fair use factors are to be explored together, and are *not* to be eschewed by brightline rules); PATRY, *supra* note 4, at 561-564 (indicating that in *Campbell* the Court correct its prior statement that the fourth factor was the most important); *Leval*, 103 HARV. L. REV. at 1125 ("Although the market factor is significant, the Supreme Court has somewhat overstated its importance."). *But see* 4 NIMMER, *supra* note 50, at § 13.05[4] ("If one looks to the fair use cases… [the fourth factor] emerges as the most important.").

[174] *Leval*, 103 HARV. L. REV. at 1125 (emphasis added).

more artistic protection is favored, the more technological innovation may be discouraged."[176] To be sure, some degree of licensing is necessary to maintain adequate creative incentives. But excessive protection will prevent individuals from using prior developments "as building blocks for their own technological contributions."[177] Copyright law must delicately balance these two interests.[178]

These interests presuppose the purpose of copyright. As stated *supra*, "[t]he primary objective of copyright is *not* to reward the labor of authors, but 'to promote the Progress of Science and useful Arts.'"[179] The inference to be drawn is that an author's protection is subservient to the public good.[180] Although the Court has limited the fourth factor to those potential derivative uses the copyright owner demonstrates an interest in exploiting,[181] copyright was not designed to ensure a maximum economic reward for authors.[182] The fourth factor must be qualified to ensure that potential markets, and in particular licensing markets, are limited to those necessary to maintain creative incentives.[183] Courts must err on the side of

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[175] *See, e.g.*, 4 NIMMER, *supra* note 50, at § 13.05[4] (stating that the fourth factor strikes the balance between the benefit the public will derive if the use is permitted and the personal gain the copyright owner will receive if the use is denied).

[176] *Grokster*, 125 S. Ct. at 2775.

[177] GOLDSTEIN, *supra* note 7, § 10.2.2.2(a).

[178] *Id.*

[179] U.S. CONST., Art. I, § 8, Cl. 8; *Fogerty*, 144 S. Ct. at 1029 (quoting *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991)).

[180] *Mazer v. Stein*, 347 U.S. 201, 219 (1954) ("The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in 'Science and Useful Arts.'").

[181] *Campbell*, 510 U.S. at 591; PATRY, *supra* note 4, at 558.

[182] *Fogerty*, 114 S. Ct. at 1029.

caution, and the public good, when resolving ambiguities in market harm, or when such harm appears *de minimis*.[184] As Justice Breyer noted, "*Sony*'s standard seeks to protect… the development of technology."[185]

B. THE MARKET FOR A POTENTIAL DERIVATIVE USE MUST BE SUCH THAT ITS PROTECTION IS REQUIRED TO MAINTAIN ADEQUATE CREATIVE INCENTIVES.

The *Campbell* Court stated that "[t]he market for potential derivative uses includes only those that creators of the original work would in general develop or license others to develop."[186] This statement must be qualified, as an overly broad interpretation would cause fair use to become defunct.[187] Thus, to narrow the scope of potential licensing markets, courts should address two issues when analyzing a use's market effect: (1) whether the secondary use is reasonable and customary;[188] and (2) whether expansion into a new licensing market is necessary to maintain sufficient creative incentives.[189]

A use that is reasonable and customary should presumptively render a copyright owner's expansion into a derivative market unnecessary *under the fourth factor* to maintain

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[183] 1 NIMMER, *supra* note 50, at § 1.03[A] ("[T]he authorization to grant to individual authors the limited monopoly of copyright is predicated upon the dual premises that the public benefits from the creative activities of authors, and *that the copyright monopoly is a necessary condition to the full realization of such creative activities*." (emphasis added)).

[184] *See, e.g.*, *Leval*, 103 HARV. L. REV. 1125 ("The market impairment should not turn the fourth factor unless it is reasonably substantial.").

[185] *Grokster*, 125 S. Ct. at 2790 (Breyer, J., concurring).

[186] *Campbell*, 510 U.S. at 591.

[187] *See Leval*, 103 HARV. L. REV. at 1125.

[188] *See Harper & Row*, 471 U.S. at 550 ("A use that is reasonable and customary is likely to be a fair one.").

[189] If a use is reasonable and customary, then a creator is attempting to exact additional price for what was once presumably fair. As public benefit is our lodestar, protecting a particular expansion into a licensing market is only permissible under the fourth factor "[w]hen the injury to the copyright holder's potential market would substantially impair the incentives to create works for publication." *Leval*, 103 HARV. L. REV. at 1125.

creative incentives.[190] Whether a secondary use is reasonable and customary depends largely on its historical existence.[191] For example, in *Texaco*, Dr. Chickering's copying of scientific journal articles was a reasonable and customary practice, as historically it had been accepted that researchers may copy pertinent journal articles for their explorations.[192] The *Texaco* court noted, without affirming, that "it is almost universally accepted that a scholar can make a handwritten copy of an entire copyrighted article for his own use."[193] Moreover, commonsense dictates, and most would assume, that it is permissible to copy pages of a book or article, or a part thereof, for research.

Although new technologies will generally not involve uses that are reasonable and customary, as novel developments often create novel uses, the reasonable and customary inquiry is nonetheless helpful. For example, in *Perfect 10*, the court wholly neglected that Google's use was potentially reasonable and customary.[194] An analysis of the history of search engines demonstrates that as early as 1995 it was accepted practice for search engines to provide a comprehensive image search function.[195] Significant dispute did not arise until after the birth

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[190] *See supra* text accompanying note 189. Although an expansion into a licensing market is unnecessary under the fourth factor, a copyright owner can nonetheless prevail under fair use if the other factors weigh in her favor, as she maintains a property interest in her rights to the original work or use.

[191] *See, e.g.*, *Williams & Wilkins*, 487 F.2d at 1355-56 (discussing the historical practices of photocopying).

[192] *Texaco*, 60 F.3d at 924. *See also id.* at 934-35 (Jacobs, J., dissenting).

[193] *Id.* at 924 n.10 (majority opinion). Where the majority and the dissent disagreed is whether the mere advent of a new licensing market renders a reasonable and customary use unfair. *Id.* at 934 (Jacobs, J., dissenting).

[194] *Perfect 10*, 416 F. Supp. 2d at 850-51.

[195] *See, e.g.*, Lee Underwood, *A Brief History of Search Engines*, http://www.webreference.com/authoring/search_history/ (last visited Apr. 24, 2006) (stating that as early as 1995, AltaVista, an internet search engine, provided a multimedia search for photos, music, and videos); AltaVista – About AltaVista, http://www.altavista.com/about/ (last visited Apr. 24, 2006) (discussing the history of Altavista). For a comprehensive discussion on the history of search engines, *see* BATTELLE, *supra* note 120, at 39-63.

of the market for cellphone images. As such, one could conclude that Google's practice of indexing images has been an accepted use since search engines developed such a capability.

Nonetheless, even a reasonable and customary use may no longer be deemed such if it sufficiently damages an author's creative incentives.[196] Thus, one must ask whether the expansion into the derivative market is necessary to maintain creative incentives.[197] The majority in *Texaco* entirely failed to address the issue of whether the publishers' expansion into the photocopying licensing market was a necessity, ruling that the advent of a new licensing market automatically renders a prior reasonable and customary use unfair.[198] The *Texaco* dissent thoroughly addressed the issue, concluding that the copyrights' holders expansion into the licensing market for photocopying was unnecessary to maintain creative incentives.[199] The dissent noted that, with regards to scientific journals, a scientist's incentives for publication are widespread dissemination, and as such the addition of a licensing market will hinder, rather than further, this interest.[200] Further, the proliferation of journals, particularly through sales and subscriptions, and the publishers' control over these distributions, ensured adequate creative incentives.[201] Given these facts, expansion was unnecessary because "*so long as the copyright system assures sufficient revenues to print and distribute scientific journals*, the level of copyright

[196] *See, e.g.*, *Texaco*, 60 F.3d at 940-41 (Jacobs, J., dissenting).

[197] Importantly, even a reasonable and customary use may no longer be deemed such if it sufficiently damages an author's creative incentives. *See, e.g.*, *Texaco*, 60 F.3d at 940-41.

[198] *Id.* at 924 (majority opinion).

[199] *Id.* at 940-41 (Jacobs, J., dissenting).

[200] *Id.*

[201] *Id.* at 940.

revenue is not among the incentives that drive the authors to the creative acts that the copyright laws are intended to foster."[202]

The court in *Perfect 10*, like the *Texaco* majority, failed to address whether Perfect 10's market expansion was necessary, in the face of Google's search engine's public benefit, to maintain sufficient creative incentives. Instead, the court summarily concluded that "Google's use of thumbnails likely *does* harm the potential market for the download of P10's reduced-size images onto cell phones."[203] The court assumed, just as the *Texaco* majority did, that the advent of a new licensing market renders a use, if once reasonable and customary, unfair.[204] Such an analysis wholly neglects copyright's law mandate to enhance the public welfare. Perfect 10's expansion into the cell phone market was not necessary to maintain its creative incentives to continue its production of pornographic photography. Perfect 10 continued to profit from its magazine and website subscription sales.[205] Moreover, Perfect 10 admitted that the thumbnail image market was continuing to grow despite Google's practices.[206] Thus, not only was protection of this market unnecessary to maintain sufficient creative incentives, the evidenced market growth "actually [demonstrated] the peaceful coexistence of Google search

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[202] *Id.*

[203] *Perfect 10*, 416 F. Supp. 2d at 851 (emphasis in original).

[204] *Texaco*, 60 F.3d at 924.

[205] *Perfect 10*, 416 F. Supp. 2d at 850-51.

[206] *Id.* The court stated that this argument overlooks the fact that the market might have grown faster were it not for Google's facilitation of infringement. *Id.* at 851. However, the mere fact of this growth belies the conclusion that the potential harm to Perfect 10's market has resulted in substantial impairment of its creative incentives. *Google's Opposition Motion*, *supra* note 146, at 15.

results and Perfect 10's new cellphone business model."[207] Given the public benefit and utility of Google's search engine, and the fact that Perfect 10's market for thumbnail images was consistently growing, the court in *Perfect 10* improperly protected Perfect 10's expansion into the thumbnail image cell phone market. In the future, it is crucial that courts do not assume the advent of a new licensing market renders a secondary use unfair, as this conclusion allows new licensing markets to overshadow the fair use analysis, and derails the accepted notion that "[a] use may be fair despite some harm to the potential market if its social value is high."[208]

VII. CONCLUSION

The congressional grant of flexibility in the doctrine of fair use has given courts the ability to accommodate new technologies, but has provided limited guidance. In the digital era, with the increasing presence of licensing markets, a secondary use's potential effect on the market must not be allowed to overshadow the fair use analysis. Protecting creative incentives is a valid concern, but when the social value of a use is high, and its impact on the market is not only *de minimis*, but unlikely to significantly diminish an author's inventive inspirations, the use must be permitted for the public good. After all, "[t]he sole interest of the United States… in conferring the [copyright] monopoly… lie[s] in the general benefits derived by the public from the labors of authors,"[209] and "[w]hen technological change has rendered the literal terms [of the Copyright Act] ambiguous, [it] must be construed in light of this basic purpose."[210]

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[207] *Google's Opposition Motion*, *supra* note 146, at 15.

[208] PATRY, *supra* note 4, at 563.

[209] *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932).

[210] *Aiken*, 422 U.S. at 156.