

11-1-1988

Distilling the Witches' Brew of Fair Use in Copyright Law

Jay Dratler Jr.

Follow this and additional works at: <https://repository.law.miami.edu/umlr>



Part of the [Intellectual Property Law Commons](#)

Recommended Citation

Jay Dratler Jr., *Distilling the Witches' Brew of Fair Use in Copyright Law*, 43 U. Miami L. Rev. 233 (1988)
Available at: <https://repository.law.miami.edu/umlr/vol43/iss2/2>

This Article is brought to you for free and open access by the Journals at University of Miami School of Law Institutional Repository. It has been accepted for inclusion in University of Miami Law Review by an authorized editor of University of Miami School of Law Institutional Repository. For more information, please contact library@law.miami.edu.

University of Miami Law Review

VOLUME 43

NOVEMBER 1988

NUMBER 2

Distilling the Witches' Brew of Fair Use in Copyright Law

JAY DRATLER, JR.*

I. INTRODUCTION	234
II. THE COPYRIGHT OWNER'S EXCLUSIVE RIGHTS AND THEIR LIMITATIONS	236
A. <i>The Dichotomy Between Idea and Expression</i>	240
B. <i>The Fair Use Doctrine</i>	245
1. POLICIES UNDERLYING FAIR USE	245
2. POLICY BALANCING BY COURTS AND LEGAL COMMENTATORS	248
a. Judicial Treatment	248
b. Commentary	252
3. CODIFICATION	256
III. THE RIDDLES OF <i>SONY</i> AND <i>NATION ENTERPRISES</i>	260
A. <i>An Analysis of Sony Corp. of America v. Universal City Studios, Inc. (the "Betamax" Case)</i>	261
B. <i>An Analysis of Harper & Row, Publishers, Inc. v. Nation Enterprises</i>	270
IV. PUTTING <i>SONY</i> AND <i>NATION ENTERPRISES</i> IN PERSPECTIVE	277
A. <i>The Commercial/Nonprofit Presumption: The Witches' Brew Adulterated</i> ..	279
B. <i>The Presumption Against Prepublication Fair Use</i>	284
C. <i>The Market Effect: Speculation Run Rampant?</i>	285
D. <i>A Multifactor Analysis: Did Congress Really Mean What It Said?</i>	287
V. AN ANALYTIC FRAMEWORK FOR FAIR USE	288
A. <i>The Purpose of the Use</i>	289
B. <i>The Nature of the Copyrighted Work</i>	303
C. <i>The Amount Taken</i>	309
1. QUANTITATIVE AND QUALITATIVE FACTORS	310
2. THE RELATIONSHIP OF THE AMOUNT TAKEN TO THE MARKET EFFECT AND THE PURPOSE OF THE USE	313
3. APPLICATION TO PARODY	316
4. DETERMINING WHAT CONSTITUTES THE COPYRIGHTED WORK	320
D. <i>The Market Effect</i>	321
1. THE BURDEN OF PROOF	321
2. THE FUNCTIONAL TEST	323
3. THE PROBLEM OF BREADTH	326
4. THE EFFECT OF CRITICISM	331
E. <i>Nonstatutory Factors</i>	333

* Jay Dratler, Jr. is an Associate Professor of Law at the William S. Richardson School of Law, University of Hawaii at Manoa, Honolulu, Hawaii.

1. GOOD FAITH.....	333
2. UNPUBLISHED STATUS	336
F. <i>Revisiting Sony and Nation Enterprises</i>	338
VI. CONCLUSION	341

"Fair is foul, and foul is fair."

The Three Witches, *Macbeth*, Act 1, Scene 1.

I. INTRODUCTION

In 1984, the Supreme Court of the United States held that wholesale copying of entire television programs by millions of individual viewers was not copyright infringement.¹ The Court reasoned that noncommercial copying of individual television programs in the home, for the purpose of viewing them at a later time, was fair use.² In its very next Term, however, the Court ruled that borrowing 300 words from a 200,000-word, unpublished manuscript on an issue of great public importance was not fair use but was actionable copyright infringement.³ To the average lawyer, let alone the layperson, these apparently contradictory decisions are difficult to reconcile. Indeed, the doctrine of fair use has been described as "the most troublesome in the whole law of copyright."⁴

The fair use doctrine developed under the laws of England over 200 years ago⁵ and has been characterized as an "equitable rule of reason."⁶ It has a worthy purpose—to cushion the hard edges of copyright law and permit others to build upon the foundations of earlier copyrighted works, without negotiating a license in every case.⁷

1. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 456 (1984).

2. *See id.* at 447-56.

3. *See Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 569 (1985); *id.* at 579, 598 (Brennan, J., dissenting) (noting length of underlying work).

4. *See Sony*, 464 U.S. at 475 (Blackmun, J., dissenting) (quoting *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661, 662 (2d Cir. 1939) (courts ought to decide other copyright issues before considering fair use)).

5. *See generally* W. PATRY, *THE FAIR USE PRIVILEGE IN COPYRIGHT LAW* 6-17 (1985) (tracing early development of fair use doctrine at common law in England). Copyright law began with the Statute of Anne in 1709. *See* 12 Anne c. 19 (1709). According to Patry, the first fair use case was *Gyles v. Wilcox*. *See Gyles v. Wilcox*, 26 Eng. Rep. 489 (No. 130) (1740) (holding that an abridgement was fair use); *see also* W. PATRY, *supra*, at 6-7.

6. H.R. REP. NO. 1476, 94th Cong., 2d Sess. 65, *reprinted in* 1976 U.S. CODE CONG. & ADMIN. NEWS 5659, 5679 [hereinafter HOUSE REPORT], *quoted in Nation Enters.*, 471 U.S. at 560. *But see* W. PATRY, *supra* note 5, at 4-5 (arguing that fair use is not a "child of equity," but a flexible judicial accommodation of the strictures of statutory copyright law to a practical demand: the need to use existing works in creating new ones).

7. The defense of fair use may be viewed as a judicially enforced subsidy of others' creative activity by the owner of copyright in the original work. *See infra* note 172. One commentator has argued that such a subsidy is appropriate only when market mechanisms are unable to facilitate private licensing of productive uses. *See Gordon, Fair Use as Market*

After a period of development at common law, the United States' branch of the doctrine was codified in Section 107 of the Copyright Act of 1976.⁸

The fair use doctrine is a paradigmatic "catch-all." It is designed to absolve unauthorized users of copyrighted works from liability for copyright infringement when all the technical prerequisites for an infringement action are met, but legal liability would be unfair or inappropriate to the goals of copyright protection. The doctrine has no crisp outlines, no precise standards, and no obvious center or core.⁹ Its flexibility allows judges to adjust the contours of copyright protection to fit individual circumstances as they arise, in the true common law tradition.

Codification of fair use did not alter the doctrine. Congress clearly stated its intention not to change the law.¹⁰ Yet Congress also set forth four nonexclusive factors that courts must consider in determining whether a use of copyrighted material is fair.¹¹ In so doing, Congress said it was attempting to call forth form from the void—to provide an analytical structure and some guidance for the courts.¹² Congress appears to have done its job well. Properly construed, the words of the copyright statute and its legislative history distill the witches' brew of fair use into four distinct ingredients, making the potion more useful and palatable without appreciably changing its taste. It remains unclear, however, whether the Supreme Court has respected the purity of Congress' product or has adulterated it with crude home-made elixirs.

The Supreme Court never addressed the fair use doctrine before its codification.¹³ In the last few years, however, the Court rendered

Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors, 30 J. COPYRIGHT SOC'Y U.S.A. 253 (1982).

8. 17 U.S.C. § 107 (1982); see also HOUSE REPORT, *supra* note 6, at 65 (fair use "given express statutory recognition for the first time in section 107"). For a discussion of the U.S. codification of fair use, see *infra* text accompanying notes 117-28. The corresponding "fair dealing" doctrine in English law has been codified since 1911. See W. PATRY, *supra* note 5, at 27 & n.53.

9. Before codification, one court complained that "[t]he doctrine is entirely equitable and is so flexible as virtually to defy definition." *Time, Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, 144 (S.D.N.Y. 1968), *paraphrased with approval in* *Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963, 969 (9th Cir. 1981), *rev'd on other grounds*, *Sony Corp. of Am. v. Universal Studios, Inc.* 464 U.S. 417 (1984). See also *Meeropol v. Nizer*, 560 F.2d 1061, 1068 (2d Cir. 1977) (Fair use "cannot be determined by resort to any arbitrary rules or fixed criteria."), *cert. denied*, 434 U.S. 1013 (1978). For discussion of the doctrine's flexibility after codification, see *infra* text accompanying notes 124 & 127.

10. See *infra* note 127.

11. See *infra* text accompanying notes 117-28.

12. See *infra* text accompanying notes 125-26.

13. See *infra* note 128 and accompanying text.

two major decisions on the subject: *Sony Corp. of America v. Universal City Studios, Inc.*¹⁴ and *Harper & Row, Publishers, Inc. v. Nation Enterprises*.¹⁵ In these decisions, the Court in large measure forsook the congressional prescription, mixed the prescribed ingredients in unintended proportions, and added rough medicine in the form of simplistic presumptions that Congress never intended.

This Article attempts to distill the witches' brew once again and produce a clearer solution to the problem of fair use. Section II of this Article identifies the five exclusive statutory rights enjoyed by copyright holders and discusses limitations on those rights, including the dichotomy between idea and expression and the fair use doctrine. It then examines the nature and purposes of the fair use doctrine and its underlying policies and reviews treatments of those policies in the lower courts and legal commentary. Finally, Section II explores the codification of fair use in Section 107 of the Copyright Act of 1976 and Congress' purpose in codifying the doctrine.

Section III analyzes the impact of the Supreme Court's opinions in *Sony* and *Nation Enterprises* on the fair use doctrine. Section IV attempts to put some of the Court's more sweeping statements in these opinions in proper statutory perspective, particularly certain "presumptions" developed by the Court. Section V then proposes a coherent framework for fair use analysis based on the purpose, intent, and logic of each of the four statutory factors and their treatment in decisions of the lower courts. It continues by examining two nonstatutory factors that the courts have identified, and it ends with a re-evaluation of the *Sony* and *Nation Enterprises* decisions. Finally, Section VI concludes by offering a prognosis for the future of fair use.

II. THE COPYRIGHT OWNER'S EXCLUSIVE RIGHTS AND THEIR LIMITATIONS

The Copyright Clause of the Constitution¹⁶ empowers Congress to protect the "[w]ritings" of "[a]uthors."¹⁷ In Section 102(a) of the Copyright Act, Congress restricted the protected field to "works of authorship fixed in any tangible medium of expression."¹⁸ In theory,

14. 464 U.S. 417 (1984).

15. 471 U.S. 539 (1985).

16. U.S. CONST. art. I, § 8, cl. 8.

17. *Id.*

18. 17 U.S.C. § 102(a) (1982). Congress purposely made this statutory phrase narrower than the constitutional phrase "Writings" of "Authors" in order to avoid giving the courts "the alternative of holding copyrightable something that Congress clearly did not intend to protect, or of holding constitutionally incapable of copyright something that Congress might one day want to protect." HOUSE REPORT, *supra* note 6, at 51.

both the constitutional and statutory phrases function as limitations, but in practice the scope of copyright protection is as broad as the grasp of the human mind.¹⁹ Among the things explicitly mentioned in the Copyright Act or its legislative history are books,²⁰ computer programs,²¹ disks,²² films,²³ fine art,²⁴ globes,²⁵ graphic art,²⁶ maps,²⁷ motion pictures,²⁸ music,²⁹ sculpture,³⁰ video disks,³¹ and videotape.³² Like copyright law itself, fair use doctrine must address all these categories of copyrightable works, as well as all the myriad ways in which they might be used.

As the word "copyright" suggests, the most basic right of the copyright holder is the exclusive right to control copying or reproduction of a protected work.³³ This right alone, however, may not cover all possible forms of unauthorized use of the many types of copyrighted works. For example, the right to control reproduction may protect a composer against unauthorized proliferation of her sheet music, but it cannot prevent unauthorized performance of her work. To provide adequate protection for various works in various media, the Copyright Act gives copyright holders five exclusive rights. These are the rights to control reproduction, distribution, preparation of derivative works, public performance, and public display of the copyrighted works.³⁴

Were these five exclusive rights of copyright holders enforced without exception, cultural and intellectual life as we know it would grind to a halt. Teachers could not copy news reports of interest to

19. According to the statute, copyright covers all "original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." 17 U.S.C. § 102(a) (1982).

20. See 17 U.S.C. § 101 (1982) (definition of "[l]iterary works").

21. See 17 U.S.C. § 101 (1982) (definition of "computer program"); see also 17 U.S.C. § 117 (limitations on exclusive rights in computer programs).

22. See 17 U.S.C. § 101 (definition of "[l]iterary works").

23. See *id.* (definitions of "[a]udiovisual works" and "[l]iterary works").

24. See *id.* (definitions of "[p]ictorial, graphic, and sculptural works").

25. See *id.*

26. See *id.*

27. See *id.*

28. See *id.* (defined).

29. See *id.* (definition of "[s]ound recordings").

30. See *id.* (definition of "[p]ictorial, graphic, and sculptural works").

31. See HOUSE REPORT, *supra* note 6, at 63 (discussing exclusive right of public performance).

32. See *id.*

33. See 17 U.S.C. § 106(1) (1982).

34. See 17 U.S.C. § 106 (1982). The first three rights apply to all types of works, but the latter two apply only to those for which they are appropriate. See *id.* at § 106(4), (5).

their students. Lovers could not recite copyrighted poems, other than their own.³⁵ Researchers could not copy scientific articles to build on the work of their predecessors. Movie and television producers would have to excise from their programs any frame that happened to contain a glimpse of a copyrighted painting, sculpture, or magazine cover. At least in theory, cheerful early risers would be subject to civil liability for whistling copyrighted music on the subway.³⁶ Certain limitations on the exclusive rights of copyright holders help avoid these absurd results.

The fair use doctrine is of course one such limitation, but it is not the only one. There are a number of specific statutory limitations on the exclusive rights of copyright holders.³⁷ In general, however, these

35. Unauthorized recital would violate the copyright owner's exclusive right of public performance, at least if done in public. See 17 U.S.C. § 106(4) (1982). Cf. HOUSE REPORT, *supra* note 6, at 63 (singing a song included in definition of "perform[ing]" in Section 101).

36. See *supra* note 35. Cf. Iowa State Univ. Research Found., Inc. v. American Broadcasting Cos., 621 F.2d 57, 60 (2d Cir. 1980). ("The doctrine of fair use, originally created and articulated in case law, permits 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.").

37. Arguably the specific exceptions affect application of the fair use doctrine through the well-known principle of statutory construction that the specific governs the general. When a defendant's use of a copyrighted work falls close to one of the specific exceptions, but not within it, the plaintiff might argue that fair use is displaced by the force of the specific exception and therefore is unavailable as a defense.

In one instance, Congress foreclosed this argument unequivocally. In providing specific conditions for duplication of copyrighted works by libraries and archives, Congress stated explicitly that those conditions do not displace the general doctrine of fair use. See 17 U.S.C. § 108(f)(4) (1982).

Yet even where Congress was not so explicit, specific exceptions should not displace the general doctrine of fair use for three reasons. First, the language of Section 107 reads very broadly, and the House Report indicates that Congress intended to give the judiciary broad powers to modulate the strictures of copyright law. See *infra* note 127.

Second, there is no hint in the House Report that specific exceptions displace fair use. As for Section 108, hotly negotiated changes were made in it nearly up to the date of passage of the statute. See generally Final Report of the National Commission on New Technological Uses of Copyrighted Works, July 31, 1978, Library of Congress (1979), at 89-104 (summarizing legislative history of library photocopying issue). For example, as late as August 3, 1976, the House Judiciary Subcommittee on Courts, Civil Liberties, and the Administration of Justice reported an amendment to the then-pending copyright reform bill, adding language to resolve a dispute over interlibrary lending of photocopies. President Ford signed the bill on October 19, 1976. See *id.* at 102-04. Library representatives undoubtedly requested the "safe harbor" language in Section 108 to guard against the vagueness of language drafted in last-minute legislative compromise. It thus seems inappropriate to derive from that language any intention to restrict the application of fair use doctrine generally.

Finally, a wooden application of the rule that the specific governs the general would nullify the purpose of Section 107—allowing courts to balance the rights of copyright holders against those of users, on a case-by-case basis, in order to reconcile the goals of encouraging creativity and wide use of copyrighted works. See *infra* text accompanying notes 55-59.

Therefore, absent explicit language in the statute or its legislative history to the contrary,

limitations are narrowly tailored to fill gaps in the law or to reflect political compromises in particular industries, and their impact on the doctrine of fair use is therefore incidental.³⁸ A more fundamental lim-

the doctrine of fair use should apply in any field, whether or not that field is covered by one of the more specific exceptions in Sections 108 through 119. *Cf.* Gordon, *supra* note 7, at 320 n.297 (arguing that whether Congress intended specific exceptions from copyright liability for home audio recording and whether recording is fair use are separate issues).

38. Perhaps the most important is the "first sale" doctrine, now codified in Section 109(b), which deprives the copyright owner of exclusive control over distribution or display of an authorized copy or phonorecord after its first sale. *See* 17 U.S.C. § 109(b) (1982). This doctrine, for example, allows the buyer of a book to lend or sell it without permission from the author or publisher.

In addition, there are specific statutory exceptions to a copyright holder's exclusive rights for all of the following:

- (1) copying by libraries of unpublished works for preservation or interlibrary deposit, *see id.* at § 108(b);
- (2) copying by libraries to replace lost or damaged copies of published works, *see id.* at § 108(e);
- (3) copying by libraries for their patrons, *see id.* at § 108(d), (e);
- (4) "performance or display . . . by instructors or pupils in the course of face-to-face teaching activities of a nonprofit educational institution," *id.* at § 110(1);
- (5) transmissions of the "performance of a nondramatic literary or musical work or display of a work . . . [in] instructional activities of a governmental body or a nonprofit educational institution," *id.* at § 110(2)(A);
- (6) performance of certain works in religious services, *see id.* at § 110(3);
- (7) nontransmitted, noncommercial performances of nondramatic literary or musical works without admission charge, or for charitable purposes, *id.* at § 110(4);
- (8) communication of broadcast transmissions received on home-type receivers without direct charge or further transmission to the public, *see id.* at § 110(5);
- (9) performance of nondramatic music by nonprofit organizations or government at agricultural or horticultural fairs, *see id.* at § 110(6);
- (10) promotional performances of nondramatic music by music stores, *see id.* at § 110(7);
- (11) performance of nondramatic literary works by transmission to the blind, deaf, or similarly handicapped, and the making of certain copies of those transmissions by government or nonprofit transmitters, *see id.* at § 110(8), § 112(d);
- (12) "performance on a single occasion" of ten-year-old dramatic works by transmission to the blind or similarly handicapped, *see id.* at § 110(9);
- (13) nonprofit, charitable performances of nondramatic literary or musical works during social activities of veterans' and fraternal organizations, *see id.* at § 110(10);
- (14) secondary transmissions by no-charge hotel and apartment antenna systems (so-called "passive carriers") and governmental or nonprofit community antenna systems, *see id.* at § 111(a);
- (15) secondary transmissions required to be carried to a specific group under the FCC's "must carry" rules, *see id.* at § 111(b);
- (16) secondary transmissions by cable systems (including certain delayed transmissions) under a statutory compulsory license, *see id.* at § 111(c)-(e);
- (17) making single copies or phonorecords of transmitted performances or displays for temporary (six months) or archival use by organizations entitled to make transmissions, *see id.* at § 112(a);
- (18) making up to thirty copies or phonorecords of transmitted performances or displays for temporary (seven years) or archival use by government or nonprofit transmitting organizations entitled to make transmissions, *see id.* at § 112(b);
- (19) a government or nonprofit organization's making of copies or phonorecords of

itation is the dichotomy between idea and expression.

A. *The Dichotomy Between Idea and Expression*

Although copyright in a work of authorship protects the author's particular manner of expression, it does not protect the underlying facts or ideas.³⁹ This dichotomy between idea and expression serves two purposes. First, it prevents copyright law from restricting the

nondramatic religious music without charge for distribution of one copy or phonorecord to each legitimate transmitting organization for a single legitimate performance, *see id.* at § 112(c);

(20) "making, distribution, or display of . . . photographs" of works embodied in useful articles for purposes of "advertisement or commentaries related to . . . distribution or display . . . or news report[ing]," *id.* at § 113(c);

(21) performance of sound recordings, but not of underlying musical works, *see id.* at § 114(a);

(22) imitation of sound recordings, but not of underlying musical works, *see id.* at § 114(b);

(23) under statutory compulsory license, and subject to payment of statutory royalties, making and distributing phonorecords of nondramatic musical works after their distribution in phonorecords to the U.S. public, *see id.* at § 115;

(24) performance of nondramatic music in jukeboxes under licenses negotiated pursuant to special authority to use common agents and arbitration, or, in the absence of such licenses, under statutory compulsory license, subject to payment of royalties set by Copyright Royalty Tribunal, *see id.* at §§ 116, 116A, as amended by the Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, § 4, 102 Stat. 2853, 2855-57 (October 31, 1988);

(25) making, by "the owner of a copy of a computer program," of adaptations and backup and operating copies of the computer program as needed for computer operation or archival use, *see* 17 U.S.C. § 117;

(26) performance and display of "published nondramatic musical works and published pictorial, graphic, and sculptural works" (and copying and distribution of programs for transmission) by noncommercial educational broadcast stations pursuant to compulsory licenses or licenses negotiated under special antitrust exemption, *see id.* at § 118(d)(1), (d)(2);

(27) off-the-air recording of temporary copies (used for up to seven days) of performances and displays of "published nondramatic musical works and published pictorial, graphic, and sculptural works" by government or nonprofit organizations for use in face-to-face classroom teaching activities of nonprofit educational institutions, *see id.* at § 118(d)(3); and

(28) satellite carriage of television transmissions to the public for home viewing under statutory compulsory license, *see id.* at § 119, as added by the Satellite Home Viewer Act of 1988, Title II of Pub. L. No. 100-667, 102 Stat. 3935, 3949 (November 16, 1988).

39. *See generally* 1 M. NIMMER & D. NIMMER, NIMMER ON COPYRIGHT, §§ 2.03[D], 2.11[A] (1988). The dichotomy between idea and expression is a fundamental feature of copyright law. *See, e.g.,* Baker v. Selden, 101 U.S. 99, 101-03, 104-05 (1880) (source of the dichotomy: copyright does not protect system of accounting forms); Miller v. Universal City Studios, Inc., 650 F.2d 1365, 1370-72 (5th Cir. 1981) (reporter's research on facts in "news" not protected); Hoehling v. Universal City Studios, Inc., 618 F.2d 972, 978-79 (2d Cir.) (facts and speculation regarding historical event not protected), *cert. denied*, 449 U.S. 841 (1980); Rosemont Enters., Inc. v. Random House, Inc., 366 F.2d 303, 307 (2d Cir. 1966) (biographical facts not protected), *cert. denied*, 385 U.S. 1009 (1967). Congress codified the principle in the Copyright Act of 1976. *See* 17 U.S.C. § 102(b) (1982); HOUSE REPORT, *supra* note 6, at 57 ("[B]asic dichotomy between expression and idea remains unchanged.").

free flow of information necessary in a free society,⁴⁰ and thereby avoids a conflict with first amendment values. Second, it preserves the distinction between patents and copyrights.⁴¹ Although the dichotomy between idea and expression was first recognized at common law,⁴² it is now codified in Section 102(b) of the Copyright Act of 1976.⁴³

Although easy to state, the dichotomy is often difficult to apply. Idea and expression are inevitably fused, and the precise boundary between them is difficult to locate. As Judge Learned Hand observed, "Nobody has ever been able to fix that boundary, and nobody ever can."⁴⁴ Courts seldom make such a determination in the abstract, however. Instead, they usually apply the dichotomy between idea and expression in tandem with the "substantial similarity" standard for

40. See, e.g., *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 582 (1984) ("This limitation on copyright also ensures consonance with our most important First Amendment values.") (Brennan, J., dissenting); *Miller*, 650 F.2d at 1372 (reporter's research not protected); *Hoehling*, 618 F.2d at 978-80 (historical facts and speculation not protected).

41. See, e.g., *Mazer v. Stein*, 347 U.S. 201, 217 (1954) (holding that statuette used as lamp base is protected by copyright though it might have been protected by design patent, and observing that copyright does not conflict with patent protection because copyright covers only expression of idea); *Baker*, 101 U.S. at 103-04 (distinguishing the use of system from expression in book explaining it); *Whelan Assocs., Inc. v. Jaslow Dental Laboratory, Inc.*, 797 F.2d 1222, 1236-37 (3d Cir. 1986) (idea of computer program for running dental laboratory is not copyrightable, but structure and organization of program is), *cert. denied*, 107 S. Ct. 877 (1987); *Herbert Rosenthal Jewelry Corp. v. Kalpakian*, 446 F.2d 738, 742 (9th Cir. 1971) ("Idea" of jeweled bee pin is not copyrightable.).

The rationale for treating copyrights and patents separately is that patentable inventions must meet the stringent statutory requirements for novelty, utility, and nonobviousness set forth in 35 U.S.C. §§ 101-103 (1982). See *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229-31 (1964) (requirements for patent are far more stringent than the weak originality and creativity requirements of copyright protection). For a discussion of the originality and creativity requirements of copyright protection, see *infra* note 51. If an author could have exclusive rights in an idea simply by writing it down and claiming copyright in the result, copyright law would serve a function broader than patent law, and inventors could circumvent the stringent requirements for patent protection.

Some cases also base the dichotomy between idea and expression on the requirement for originality. Since an author does not create facts, they do not originate with the author and therefore do not qualify for copyright protection. See *Miller*, 650 F.2d at 1368-69 (citing 1 M. NIMMER & D. NIMMER, *NIMMER ON COPYRIGHT*, § 2.03[E], at 2-34.1 (1980)). This reasoning provides a poor basis for the doctrine, however, because it falsely suggests that original creative ideas in the abstract are protected by copyright—a proposition that would erase the dichotomy.

42. Recognition of the dichotomy originated in *Baker v. Selden*, 101 U.S. 99 (1880). See *supra* note 39.

43. "In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work." 17 U.S.C. § 102(b) (1982).

44. *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930), *cert. denied*, 282 U.S. 902 (1931).

copyright infringement and compare similarities between the original and accused works at varying levels of particularity.⁴⁵ In this process, courts seek to determine whether there is enough similarity in expression, as distinguished from similarity of idea or fact, to support a finding of infringement.⁴⁶ The process of comparison is called the "levels of abstraction" test⁴⁷ because it matches the two works at successively higher levels of particularity.

Related to the dichotomy between idea and expression is the enigmatic status of so-called "fact works."⁴⁸ These are compilations of information, such as dictionaries, directories, and databases, whose primary function is to convey information, and whose manner of expression is secondary. Such works enjoy copyright protection under the explicit terms of the Copyright Act of 1976,⁴⁹ as well as longstanding precedent,⁵⁰ but their protection is difficult to reconcile

45. Perhaps the best way to illustrate the process of comparison is to juxtapose two leading opinions of Judge Learned Hand, both of which considered claims that a motion picture infringed a preexisting work. See *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 54-56 (2d Cir.) (infringement found because details of plot, character, incident, and sequence were copied), *cert. denied*, 298 U.S. 669 (1936); *Nichols*, 45 F.2d at 122-23 (no infringement found because only general theme was copied). Judge Hand hinted at the complexity of the process when he complained in *Nichols* about the "length of the record." *Id.* at 123.

46. For more recent illustrations of the process of comparison, see, e.g., *Olson v. Nat'l Broadcasting Co.*, 855 F.2d 1446, 1454 (9th Cir. 1988) (affirming judgment for defendant, notwithstanding the verdict, because defendant's television show was not substantially similar to plaintiff's proposed show even under "extrinsic" test for similarity of ideas); *Whelan Assocs., Inc. v. Jaslow Dental Laboratory, Inc.*, 797 F.2d 1222, 1238-40, 1242-48 (3d Cir. 1986), *cert. denied*, 107 S. Ct. 877 (1987). Despite lack of literal copying, the Third Circuit found that one computer program infringed another, based on similarities in origin, structure, sequence, and organization. *Id.* at 1242-46. The court, however, separated its discussions of infringement and the dichotomy between idea and expression. See *id.* at 1235-39.

47. The phrase is Professor Nimmer's. See 3 M. NIMMER & D. NIMMER, *NIMMER ON COPYRIGHT*, § 13.03[A], at 13-23 (1988). However, the process owes its origin to Judge Learned Hand, who spoke of applying a "series of abstractions" of increasing generality to the accused and original works in order to determine the dividing line between protected expression and unprotected ideas. *Nichols*, 45 F.2d at 121.

48. See generally Denicola, *Copyright in Collections of Facts: A Theory for the Protection of Nonfiction Literary Works*, 81 COLUM. L. REV. 516 (1981); Gorman, *Copyright Protection for the Collection and Representation of Facts*, 76 HARV. L. REV. 1569 (1963).

49. The statute defines a "compilation" as "a work formed by the collection . . . of preexisting . . . data," 17 U.S.C. § 101 (1982), and states that compilations are proper subject matter for copyright protection, see *id.* at § 103. The House Report indicates that "[a] 'compilation' results from a process of selecting, bringing together, organizing, and arranging previously existing material of all kinds, regardless of whether the individual items in the material have been or ever could have been subject to copyright." HOUSE REPORT, *supra* note 6, at 57; see also *Miller v. Universal City Studios, Inc.*, 650 F.2d 1365, 1370 (5th Cir. 1981) (Directories should be recognized as "being in a category by themselves" because the Copyright Act of 1909 and case law make them copyrightable, despite the fact they are merely collections of "facts" or "ideas.").

50. See, e.g., *United Tel. Co. of Mo. v. Johnson Publishing Co.*, 855 F.2d 604, 607-09 (8th Cir. 1988) (protecting new listings in telephone directory); *Schroeder v. William Morrow &*

with the dichotomy between idea and expression. For example, a telephone directory contains nothing more than items of information (names, addresses, and telephone numbers) that are in the public domain, coupled with an alphabetical arrangement that lacks even the minimal originality and creativity required for copyright protection.⁵¹ Courts are obliged to protect such works because the copyright statute clearly covers them.⁵² Yet the theoretical difficulty of supporting protection for an unoriginal combination of unprotectable elements

Co., 566 F.2d 3, 5 (7th Cir. 1977) (protecting directory of gardening nurseries with narrative descriptions); *Leon v. Pacific Tel. & Tel. Co.*, 91 F.2d 484, 485-86 (9th Cir. 1937) (protecting telephone directory); *Jeweler's Circular Pub. Co. v. Keystone Pub. Co.*, 281 F. 83, 88 (2d Cir.) (protecting directory of jewelry outlets), *cert. denied*, 259 U.S. 581 (1922); *National Business Lists, Inc. v. Dun & Bradstreet, Inc.*, 552 F. Supp. 89, 92-95 (N.D. Ill. 1982) (collecting cases); *see also Denicola, supra* note 48, at 527 ("Compilations of facts have long rested securely within the scope of copyright.").

51. All copyrighted works must satisfy the requirements of originality and creativity. *See Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n*, 805 F.2d 663, 668-69 & nn.5-7 (7th Cir. 1986) (telecasts of baseball games met both requirements), *cert. denied*, 480 U.S. 941 (1987); *L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486, 490 (2d Cir.) (en banc) (plastic copy of antique cast iron "Uncle Sam" bank failed to meet originality requirement), *cert. denied*, 429 U.S. 857 (1976); *Wihtol v. Wells*, 231 F.2d 550, 552, 554 (7th Cir. 1956) (hymn based upon old ethnic folk song was original).

Unlike the "novelty" requirement for patent protection, which copyrighted works need not satisfy, *see Baltimore Orioles*, 805 F.2d at 668 n.6, the "originality" and "creativity" requirements for copyright protection are not particularly stiff. A work may be original under copyright law if it contains something more than mere copying. *See, e.g., Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 57-58 (1884) (work is "original" if it "owes its origin" to the "author"); *Soptra Fabrics Corp. v. Stafford Knitting Mills, Inc.*, 490 F.2d 1092, 1094 (2d Cir. 1974) (per curiam) (minor modifications to fabric pattern made in repeating it to cover a whole bolt of cloth and to join it smoothly at edges satisfy originality requirement); *Alfred Bell & Co. v. Catalda Fine Arts, Inc.*, 191 F.2d 99, 102-03 (2d Cir. 1951) (mezzotint engravings of old master's paintings satisfy requirement: author need only contribute "something more than a 'merely trivial' variation."). The "creativity" requirement—a creation of the courts—is similarly modest. *See Eckes v. Card Prices Update*, 736 F.2d 859, 862-63 (2d Cir. 1984) (directory of 18,000 baseball cards that classified 5,000 as "premium" cards satisfies "creativity" requirement).

Nevertheless, the requirements do have substance. For example, the Second Circuit upheld a finding that a compilation of index cards listing the issuers, call dates, call prices, and similar information for callable bonds did not satisfy the "independent creation" requirement and therefore could not be copyrighted. *See Financial Information, Inc. v. Moody's Investors Serv., Inc.*, 808 F.2d 204, 207-08 (2d Cir. 1986), *cert. denied*, 108 S. Ct. 79 (1987). An alphabetical array of names and addresses would seem to have little more originality or creativity than these "called bond cards."

52. The Second Circuit is the most niggardly of the federal appellate courts in providing copyright protection for fact works. *See Moody's Investors Serv., Inc.*, 808 F.2d at 207 (There was "insufficient proof of 'independent creation' to render . . . Daily Bond Cards copyrightable."). *Compare Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 979 (2d Cir.) (labor of research not protected), *cert. denied*, 449 U.S. 841 (1980), *with Schroeder*, 566 F.2d at 5 (labor of preparing compilation protected). Nevertheless, even the Second Circuit has protected directories that met its standards for creativity. *See Eckes*, 736 F.2d at 863.

makes the extent and basis of that protection uncertain.⁵³

The dichotomy between idea and expression affects fair use analysis in two ways. First, the rule that copyright does not protect ideas serves as the primary safety valve for first amendment concerns, thereby relieving some of the pressure to tip the scales of fair use analysis in favor of the public interest.⁵⁴ Since copyright does not protect

53. Professor Denicola has identified and compared three different judicial approaches to compilations of data, which focus on (1) the arrangement of the data, (2) the labor involved in collecting the data, and (3) the selection or choice of particular data. See Denicola, *supra* note 48, at 527-32. He finds all three approaches to some degree theoretically and practically unsatisfactory and concludes that "[i]t is impossible to dictate in advance the extent of an appropriation of information necessary to justify a finding of infringement." *Id.* at 532.

54. The dichotomy between idea and expression "strike[s] a definitional balance between the First Amendment and the Copyright Act by permitting free communication of facts while still protecting an author's expression." Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 556 (1985) (quoting with approval Harper & Row, Publishers, Inc. v. Nation Enters., 723 F.2d 195, 203 (2d Cir. 1983), *rev'd*, 471 U.S. 539 (1985)).

In *Nation Enterprises*, the Supreme Court rejected the notion that the public importance of material borrowed by an accused work should predispose courts to find fair use. See *Nation Enters.*, 471 U.S. at 559; *infra* text accompanying notes 212-17. The Court thus implicitly placed the weight of accommodation with the first amendment squarely upon the dichotomy between idea and expression. See also *Iowa State Univ. Research Found., Inc. v. American Broadcasting Cos., Inc.*, 621 F.2d 57, 61 (2d Cir. 1980) ("The public interest in the free flow of information is assured by the law's refusal to recognize a valid copyright in facts."); *Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1170 (9th Cir. 1977) (The "idea-expression line represents an acceptable definitional balance as between copyright and free speech interests.") (quoting Nimmer, *Does Copyright Abridge the First Amendment Guarantees of Free Speech and Press?*, 17 UCLA L. REV. 1180, 1192-93 (1970)). See generally Note, *Copyright Infringement and the First Amendment*, 79 COLUM. L. REV. 320, 324-26 (1979) (discussing the importance of the dichotomy between idea and expression as a device for accommodating free speech interests).

This result appears reasonable because the core of first amendment concern is not the details of expression, but the ideas and facts expressed. The precise manner of expressing an idea has little effect on the "free marketplace of ideas" under the first amendment, except perhaps in the rare case in which the manner of expression is an important idea or historical fact in itself. See *infra* text accompanying notes 378-402.

Even in such cases, however, copyright doctrine may avoid a collision with first amendment values because expression itself loses copyright protection when it merges with the underlying idea. When an idea can be expressed in only a limited number of ways, both the idea and the few alternative forms of expression are ineligible for copyright protection. See, e.g., *Educational Testing Servs. v. Katzman*, 793 F.2d 533, 539-40 (3d Cir. 1986) (holding standardized test questions capable of expression in sufficient variety to avoid merger doctrine); *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240, 1253 (3d Cir. 1983) (remanding case for further fact finding to determine whether computer operating system software can be expressed in alternative ways), *cert. dismissed*, 464 U.S. 1033 (1984); *Herbert Rosenthal Jewelry Corp. v. Kalpakian*, 446 F.2d 738, 742 (9th Cir. 1971) (jewel-encrusted "bee" pin cannot be protected because idea is "indistinguishable" from expression); *Morrissey v. Procter & Gamble Co.*, 379 F.2d 675, 678-79 (1st Cir. 1967) (affirming summary judgment for defendant accused of copying plaintiff's two-paragraph rules for promotional sweepstakes, and holding expression to be merged with idea).

Even where the number of possible modes of expression is not so limited as to invoke the merger doctrine, courts may restrict the scope and strength of copyright protection if the

the facts and ideas in a work, they may be used freely by later authors and need not be considered in applying the fair use calculus. Second, because copyright does not protect ideas, fact works are disfavored in fair use analysis.⁵⁵ Other things being equal, a finding of fair use is more readily made when the work used is a fact work, than when, for example, it is a work of fiction or a creative work of art. By loosening the chains of copyright exclusivity for fact works, this interpretation helps to maintain a free flow of ideas and information.

B. *The Fair Use Doctrine*

Neither the dichotomy between idea and expression nor the numerous specific statutory exceptions give copyright law real flexibility. Although the line between idea and expression is often hard to discern, its location is not intended to vary, and the specific statutory exceptions generally have only limited scope. In contrast, the fair use doctrine applies to any copyrighted work and is intended to soften the contours of copyright law as the circumstances may demand. It therefore can give copyright law great flexibility. The nature and extent of that flexibility, however, depends on the underlying policies. This Section identifies those policies, explores how they have been perceived in the legal community, and notes how those perceptions in some cases differ from the history of fair use doctrine and Congress' intent in codifying it.

1. POLICIES UNDERLYING FAIR USE

Copyright law seeks to encourage not only the creation of works of authorship, but also their wide dissemination and use. It addresses both goals by giving copyright holders the exclusive right to profit from the dissemination and use of copyrighted works.⁵⁶ By allowing

expression of a work is closely intertwined with underlying facts or ideas. *See, e.g., Hoehling*, 618 F.2d at 980 (historical work is protected only against infringers who "bodily appropriate the expression"); *Continental Casualty Co. v. Beardsley*, 253 F.2d 702, 706 (2d Cir.) (holding in the alternative that (1) protection of legal forms does not extend to language "incidental" to use of underlying idea, and (2) forms were in public domain), *cert. denied*, 358 U.S. 816 (1958).

55. *See infra* text accompanying notes 375-78.

56. One of the Supreme Court's most memorable statements of this policy appeared in *Mazer v. Stein*:

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." Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered.

Mazer v. Stein, 347 U.S. 201, 219 (1954).

Other decisions, however, focus less on the reward to the author and more on the incen-

copyright holders to control the reproduction and dissemination of their copyrighted works, however, copyright law may inhibit the free flow of information and impede the creation of new works based upon old ones.⁵⁷ Thus the incentive for creativity that copyright seeks to foster may conflict with the goal of encouraging wide use of copyrighted works once created.

In attempting to accommodate these conflicting policies, the fair use doctrine addresses the fundamental paradox of copyright law, and indeed of all intellectual property law: the exclusive rights granted to authors may hinder the creation of new works from old ones, while at the same time providing the financial incentives without which the old works might never have been created. By loosening the chains of exclusivity under appropriate circumstances, the fair use doctrine strikes a balance between the policies of fostering creativity and

tive that the reward creates. *See, e.g., Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 546 (1985) (“[T]he monopoly granted by copyright actively served its intended purpose of inducing the creation of new material of potential historical value.”); *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417, 429 (1984) (Copyright “is intended to motivate the creative activity of authors . . . by the provision of a special reward.”); *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 158 (1948) (“The copyright law, like the patent statute, makes reward to the owner a secondary consideration. . . . [R]eward to the author or artist serves to induce release to the public of the products of his creative genius.”).

In the related field of patent law, courts also have stressed the goal of inducing investment in creative activity. *See, e.g., Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974) (Patent grants encourage inventors “to risk the often enormous costs in terms of time, research and development.”); *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 599, *modified on other grounds*, 771 F.2d 480 (Fed. Cir. 1985), *quoted with approval in Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 876 (Fed. Cir. 1985) (“The encouragement of investment-based risk is the fundamental purpose of the patent grant . . .”).

Encouragement of investment in creative effort is no less a worthy goal in copyright law. Indeed, investment becomes more significant with increases in the costs of new media of expression and of services of creative personnel, such as writers, directors, actors, singers, and set designers.

57. *See, e.g., Nation Enters.*, 471 U.S. at 549. The Court stated that an author’s consent to “fair use” had always been implied “as a necessary incident of the constitutional policy of promoting the progress of science and the useful arts, since a prohibition of such use would inhibit subsequent writers from attempting to improve upon prior works and thus . . . frustrate the very ends sought to be obtained.” *Id.* (quoting H. BALL, *THE LAW OF COPYRIGHT AND LITERARY PROPERTY* 260 (1944)); *see also Sony Corp. of Am.*, 464 U.S. at 429 (Patent and copyright law “involves a difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society’s competing interest in the free flow of ideas, information, and commerce on the other hand.”); *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 980 (2d Cir.) (“Knowledge is expanded as well by granting new authors of historical works a relatively free hand to build upon the work of their predecessors.” (footnote omitted)), *cert. denied*, 449 U.S. 841 (1980); *Meeropol v. Nizer*, 560 F.2d 1061, 1068 (2d Cir. 1977) (Fair use balances “the exclusive right of a copyright holder with the public’s interest in dissemination of information affecting areas of universal concern, such as art, science, history, or industry.” (citation omitted)), *cert. denied*, 434 U.S. 1013 (1978).

encouraging wide dissemination and use of creative works.⁵⁸ In the

58. In his recent article, *Reconstructing the Fair Use Doctrine*, Professor Fisher recognizes the importance of the balance between incentives for creativity and broad dissemination of copyrighted works, which he calls "social utility." Fisher, *Reconstructing the Fair Use Doctrine*, 101 HARV. L. REV. 1659, 1687-88 (1988). However, he discerns three alternative values in the text of the *Sony* and *Nation Enterprises* opinions: (1) authors' natural rights to the fruits of their labors, *see id.* at 1688-89; (2) authors' rights to privacy and creative control, *see id.* at 1690; and (3) "propriety and custom," *see id.* at 1678-81, 1691. Observing that the four values together are inconsistent, Professor Fisher implies that the fair use doctrine has no firm normative foundation and therefore attempts to rebuild it. *See id.* at 1691-92.

Although the alternative norms that Professor Fisher perceives may fairly be found in the text of the *Sony* and *Nation Enterprises* opinions, their importance as fundamental values wanes to the vanishing point when one looks beyond those cases. Since the founding of our nation, alternative norms have been clearly subordinated to the overriding goal of "social utility." The framers emphatically rejected a "natural rights" approach to intellectual property in favor of a utilitarian approach, as the Supreme Court has recognized. *See Graham v. John Deere Co.*, 383 U.S. 1, 8-9 & n.2 (1966) (in part quoting letter from Thomas Jefferson to Mr. Isaac McPherson (August 13, 1813) from VI THE WRITINGS OF THOMAS JEFFERSON, 180-81 (Wash. ed. 1861)); *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 29 (1923) (dictum: distinguishing right under patent to exclude others from inventors' natural right to practice processes for making alcoholic beverages, which had been extinguished by prohibition); *United States v. American Bell Tel. Co.*, 167 U.S. 224, 247 (1897) (patent rights are statutory, not "natural" rights). Moreover, the framers' value choice is explicit in the Constitution, which requires copyright and patent law "[t]o promote the Progress of Science and useful Arts." U.S. CONST. art. I, § 8, cl. 8. Respecting this constitutional directive, the Supreme Court has repeatedly affirmed the primacy of "utilitarian" aims—incentives for creativity—over rewards *per se* as goals of copyright law. *See, e.g., Paramount Pictures, Inc.*, 334 U.S. at 158; *Mazer v. Stein*, 347 U.S. 201, 219 (1954) (citing *Paramount Pictures, Inc.*, 334 U.S. 131); *see generally supra* note 56. Under American law, financial rewards to authors exist not in recognition of any natural rights in their labor, but as a means to an end—the promotion of further creativity by them and by others. Indeed, all the Justices on both sides in *Sony* and *Nation Enterprises* seem to have recognized this fundamental point. *See supra* note 56; *infra* note 276 and accompanying text.

Professor Fisher's other alternative norms appear more as factors to be considered under specific circumstances than fundamental values of the copyright system. Privacy has little relevance to published works (which comprise the vast majority of works for which copyright protection is asserted), although it has some importance for unpublished works. *See infra* Sections IV(B), V(E)(2). Creative control also may have some relevance to the scope of fair use in unpublished or unfinished works. *See infra* text accompanying note 209; Fisher, *supra*, at 1773-74, 1780 (arguing that creative control should be considered for any unfinished work, whether or not it is published). Yet raising creative control to the level of a fundamental copyright norm overemphasizes its importance and ignores American courts' consistent rejection of the protection of authors' creative control found in some foreign copyright laws under the rubric of moral rights. *See, e.g., Community for Creative Non-Violence v. Reid*, 846 F.2d 1485, 1498-99 (D.C. Cir. 1988) (observing that analogues to moral rights in American law rely on statutes and common law other than copyright), *cert. granted on other grounds*, 109 S. Ct. 362 (1988); *Gilliam v. American Broadcasting Cos.*, 538 F.2d 14, 24 (2d Cir. 1976) ("American copyright law, as presently written, does not recognize moral rights or provide a cause of action for their violation, since the law seeks to vindicate the economic, rather than the personal rights of authors."); 134 CONG. REC. S14,549, 14,557-58 (daily ed. Oct. 5, 1988) (remarks of Sen. Hatch on Berne Convention Implementation Act of 1988, reviewing American courts' consistent rejection of moral rights under U.S. copyright law); Final Report of the Ad Hoc Working Group on U.S. Adherence to the Berne Convention, *reprinted in* 10 COLUM. J.L. & ARTS 513, 547-57 (1986) (U.S. protection of moral rights under noncopyright

process, it helps to avoid a collision between copyright law and the first amendment.

2. POLICY BALANCING BY COURTS AND LEGAL COMMENTATORS

Throughout the development of fair use doctrine, courts have realized that it both expresses and helps to resolve the tension between these conflicting copyright policies. Two leading cases illustrate how the courts have tried to balance these policies in applying the fair use doctrine.⁵⁹

a. Judicial Treatment

The first case, *Rosemont Enterprises, Inc. v. Random House, Inc.*,⁶⁰ involved the reclusive billionaire inventor Howard Hughes. To satisfy his "passion for personal anonymity," Hughes tried to prevent publication of an unauthorized biography of him that Random House was preparing.⁶¹ To do so, he incorporated Rosemont Enterprises, which acquired the copyrights in certain *Look* magazine articles about Hughes that had been used in preparing the biography.⁶² Hughes then had Rosemont sue Random House for copyright infringement, seeking an injunction against publication of the biography.⁶³ The district court granted the injunction,⁶⁴ but the United States Court of Appeals for the Second Circuit reversed.⁶⁵

For purposes of vacating the preliminary injunction, the Second Circuit found the use of the *Look* articles fair,⁶⁶ relying in part on the

statutory and common law is sufficient to meet moral rights requirements of Article 6 of the Berne Convention for the Protection of Literary and Artistic Works.); Kwall, *Copyright and the Moral Right: Is an American Marriage Possible?*, 38 VAND. L. REV. 1, 17-34 (1985) (discussing the weaknesses of American statutory and common law compared to foreign protection of moral rights).

Finally, although a few courts have considered notions of "custom and propriety" in applying the fair use doctrine, the inconsistency of these notions with the fundamental utilitarian values underlying copyright law seems reason to deemphasize them, not to reconstruct the doctrine. See *infra* text accompanying notes 511-26. In short, over two hundred years of history have clarified the fundamental values underlying U.S. intellectual property law in general, and our copyright law in particular. A decent respect for those values may require reconstruction of the *Sony* and *Nation Enterprises* opinions but should not require reconstruction of the fair use doctrine as codified in 17 U.S.C. Section 107.

59. Both cases were decided before the Copyright Act of 1976 and its codification of "fair use" became effective.

60. 366 F.2d 303 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967).

61. *Id.* at 304-05.

62. *See id.* at 305; *id.* at 312-13 (Lumbard & Hays, JJ., concurring).

63. *See id.* at 304-05 (majority opinion).

64. *See id.* at 304.

65. *See id.* at 311.

66. *See id.* at 309-11.

public's right to know about famous public figures like Hughes. Two judges concurred on the ground that Hughes had caused the copyright to be purchased solely to suppress the biography.⁶⁷ They therefore would have denied injunctive relief under the equitable doctrine of "unclean hands."⁶⁸

In the second case, *Williams & Wilkins Co. v. United States*,⁶⁹ a publisher of medical journals sued the National Institutes of Health and the National Library of Medicine for copyright infringement.⁷⁰ These research institutions had standard procedures for systematic photocopying, with some limitations, of entire articles from any of three thousand medical research journals at the request of medical researchers.⁷¹ The Court of Claims found the evidence insufficient to prove that the publisher would be substantially harmed by these practices⁷² and, "convinced that medicine and medical research [would] be injured by holding these particular practices to be an infringement,"⁷³ held the use fair.⁷⁴ An equally divided Supreme Court summarily affirmed this decision without opinion.⁷⁵

Both *Rosemont* and *Williams & Wilkins* illustrate the importance of policy in fair use analysis. In *Rosemont*, the dissemination interest at stake was the public's right to know about a well-known public figure⁷⁶—a right with clear first amendment overtones.⁷⁷ In *Williams & Wilkins*, the dissemination interest at stake was somewhat different: the public's interest in medical researchers' efficient and free access to medical literature, which presumably leads to progress in medicine.⁷⁸

The cases differed, however, in the strength of the countervailing

67. See *id.* at 311-13 (Lumbard & Hays, JJ., concurring).

68. See *id.* at 313.

69. 487 F.2d 1345 (Ct. Cl. 1973), *aff'd without opinion*, 420 U.S. 376 (1975) (per curiam).

70. See *id.* at 1346-47. The suit was for "reasonable and entire compensation" under 28 U.S.C. § 1498(b), which authorizes damage actions against the federal government for patent and copyright infringement. The Court of Claims was not empowered to grant injunctive relief. See *Williams & Wilkins*, 487 F.2d at 1346 n.1; *id.* at 1386 (Nichols, J., dissenting).

71. See *id.* at 1347-49. In his dissent, Chief Judge Cowen described the Institutes' photocopying practices as follows: "What we have before us is a case of wholesale, machine copying, and distribution of copyrighted material by defendant's libraries on a scale so vast that it dwarfs the output of many small publishing companies." *Id.* at 1364 (Cowen, J., dissenting). Only four of the plaintiff's journals were involved, however. See *id.* at 1347.

72. See *id.* at 1357-59 (discussing inferences of the trial judge).

73. *Id.* at 1354.

74. *Id.* at 1362-63.

75. *Williams & Wilkins Co. v. United States*, 420 U.S. 376 (1975) (per curiam).

76. See *Rosemont Enters., Inc. v. Random House, Inc.*, 366 F.2d 303, 309 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967).

77. In their concurring opinion, Judges Lumbard and Hays explicitly recognized the first amendment basis of the decision. See *id.* at 311 (Lumbard & Hays, JJ., concurring).

78. See *Williams & Wilkins*, 487 F.2d at 1354, 1356-57.

policies. In *Rosemont*, the interests of the copyright holder were weak. The articles that were allegedly used unfairly had been written, published, and paid for more than a decade before the infringement action arose,⁷⁹ and Hughes' apparent intention was to suppress further publication.⁸⁰ Thus it was hard to argue that incentives for creativity required a narrow interpretation of the fair use doctrine. Indeed, the only substantial countervailing interest to the public's right to know was Hughes' interest in privacy. Yet this interest was hardly compelling, at least insofar as the *Look* articles were concerned, because they had already been published.

In *Williams & Wilkins*, however, the balancing of policies was more difficult. As the dissenters pointed out, two of the plaintiff's four medical journals had lost subscribers, and three had suffered revenue losses, during portions of the relevant time period.⁸¹ Moreover, the publisher had licensed a separate entity to provide photocopies of out-of-print articles for a fee.⁸² Thus, there was both some evidence of an adverse impact on the copyright holder's revenue—and hence, on the incentive to create⁸³—and an existing mechanism for providing copyrighted material subject to payment of royalties, at least for out-of-print articles. The court concluded, however, that the accused copying practices had not caused the plaintiff any loss, citing as proof the plaintiff's general increases in subscription levels over the relevant time period.⁸⁴

79. See *Rosemont Enters.*, 366 F.2d at 310 ("There is no suggestion that the *Look* articles are in current publication or ever have been since their single appearance in 1954.")

80. See *id.* at 313 (Lumbard & Hays, JJ., concurring) (purchase of copyrights part of plan to suppress biography).

81. See *William & Wilkins*, 487 F.2d at 1370 (Cowen, C.J., dissenting).

82. See *id.* (The Institute of Scientific Information was licensed to provide photocopies of out-of-print articles.). The dissenters also pointed out that supplying back issues and copies was an important new source of revenue for journal publishers. See *id.*

Today, the Copyright Clearance Center and a number of similar organizations undertake to provide researchers with copies of articles from scholarly literature for relatively insubstantial fees. For a discussion of the operations of the Copyright Clearance Center, taken in part from its own brochure, see *Copyright Clearance Center, Inc. v. Commissioner*, 79 T.C. 793, 805 (1982) (denying the Center tax-exempt treatment).

83. The effect of a use alleged to be fair upon the copyright holder's potential market is of predominant importance in modern fair use jurisprudence. See *infra* text accompanying notes 156-57, 180-81, 296-300, 468-70.

84. See *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1357-58 (Ct. Cl. 1973), *aff'd mem.*, 420 U.S. 376 (1975). The late Professor Nimmer criticized this decision as "seriously in error" because, in his view, it confused the distinct issues of liability and damages and denied liability for lack of proof of damages. See 3 M. NIMMER & D. NIMMER, *supra* note 47, § 13.05[E][4][c], at 13-104 to -105.

Proof of damages was not an element of a copyright infringement claim under the Copyright Act of 1909—the statute applied in *Williams & Wilkins*. See, e.g., 17 U.S.C. § 101(a) (1970) (injunctive relief available to restrain further infringement); *id.* at § 101(b)

In any event, the real basis of the *Williams & Wilkins* decision appears to be the majority's fear that medical research would suffer if researchers had to request copies of medical articles by mail and perhaps wait weeks for them to arrive, or if they had to wait in line to use the few library copies available.⁸⁵ Apparently the majority saw the need for rapid and efficient dissemination of medical literature as more important than the speculative and arguably minor adverse impact of copying on subscription revenues demonstrated on the rec-

(minimum statutory damages, in lieu of actual damages and infringer's profits); see also *Fred Fisher, Inc. v. Dillingham*, 298 F. 145, 152 (S.D.N.Y. 1924) (L. Hand, J.) (providing injunctive relief and minimum statutory damages for infringement of eight-note "ostinato" in popular song, although popularity of both plaintiff's and defendant's songs had faded and actual damage was unlikely).

Nor is proof of damages an element of copyright claims today. See 17 U.S.C. § 502 (1982) (injunctive relief); *id.* at § 504(c) (copyright owner may elect to recover statutory damages in lieu of actual damages and infringer's profits at any time before final judgment); see also *Salinger v. Random House, Inc.*, 811 F.2d 90, 92-93, 100 (2d Cir.) (granting preliminary injunction against paraphrasing of unpublished letters of a famous author), *cert. denied*, 108 S. Ct. 213 (1987).

Nevertheless, Nimmer's criticism appears to miss the point. The majority on the Court of Claims addressed the issue of liability and found the use fair. They did so by in part balancing the potential for harm to the copyright holder's interests against the harm to research and the public interest that might result from a finding of infringement. See *Williams & Wilkins*, 487 F.2d at 1353-54.

If the *Williams & Wilkins* court erred, its error lay in two other directions. First, the court failed to consider the impact on the publishers' potential market for new subscriptions, reprints, and back issues. Instead, it focused on the publishers' slight increase in actual subscription rates. The dissenters rightly took the court to task for application of an incorrect legal standard—a focus on actual rather than potential market injury. See *Williams & Wilkins*, 487 F.2d at 1367-68 (Cowen, J., dissenting). The publishers' revenue might have been higher still if the medical laboratories had been forced to buy extra subscriptions or reprints.

Second, the court seemed to confuse requiring compensation for photocopying with stopping it altogether. Because the court lacked the power to impose a "compromise" solution such as compulsory licensing, it feared that a finding of infringement might lead to injunctions in other courts, against nongovernmental libraries, or might otherwise curtail photocopying for research purposes. See *id.* at 1360-61, 1363. The dissenters, however, pointed out that a contrary decision would not stop photocopying. See *id.* at 1386 (because the Court of Claims has no power to grant injunctive relief); *id.* at 1386-87 (because other courts have equitable discretion to avoid negative impacts on research); *id.* at 1371 (Cowen, J., dissenting) (because the plaintiffs did not want to stop the photocopying, but rather to be paid for it—and then only in amounts that the dissenters estimated to be hundreds of dollars per year). In any event, the majority's decision appears to have been motivated partly by the putative effect of a finding of infringement on nongovernmental research in laboratories not before the court.

85. See *Williams & Wilkins*, 487 F.2d at 1358. Apparently the court assumed that researchers would forego obtaining extra copies of the articles rather than pay for them. See *id.* at 1357. Although the court did not stress the time-delay factor, it did point to the "wholly inadequate" mechanisms for supplying reprints and back issues and the "unrealistic" expectation that the libraries would purchase extra subscriptions "on the chance that an indeterminate number of articles in an indeterminate number of issues will be requested at indeterminate times." *Id.* at 1356, 1357.

ord.⁸⁶ Seeing no practical way both to keep the wheels of medical research turning and to compensate the copyright holders, the court chose to subordinate the copyright holders' interests to the greater public good. The even split among the Supreme Court Justices underscores the closeness of this court's 4-3 decision.⁸⁷

Given the peculiar facts of *Rosemont*, it is inconceivable that its outcome would discourage a single author from writing for fear of losing the economic benefits of his work. Because the accused work was on a subject of clear public interest and deserved wide dissemination, the Second Circuit's finding of fair use seems unremarkable. The decision in *Williams & Wilkins* was more difficult, but the balance struck by the Court of Claims also seems justified, if one accepts the majority's view of the research world at that time.⁸⁸ Although both harm to the publisher and harm to medical progress were far from certain, an adverse effect of a finding of infringement on medical research appeared more imminent and more important than a somewhat speculative decrease in the publisher's income. Accordingly, sensitivity to copyright policy probably justified the findings of fair use in both cases.

b. Commentary

As important as policy may have been in these two cases, balancing of broad policies alone cannot serve as a general prescription for applying the doctrine of fair use. The law must govern by rules and standards, turning to policy only in close cases. Otherwise, courts would usurp the function of the legislature, and their decisions would be difficult to predict.

The problem is that fair use, as a general and flexible doctrine, is not susceptible of expression in precise rules or simple standards. Congress therefore did not prescribe any rules or standards, but instead provided four nonexclusive factual considerations that courts

86. In the absence of a statutory compulsory licensing scheme, the court was reluctant to make a decision that might serve as a precedent for injunctive relief in other courts, and thereby leave the progress of medical research to the tender mercies of publishers' self-interest. *See id.* at 1360; *supra* note 84.

87. An equally divided Supreme Court affirmed the Court of Claims' decision without opinion. *See Williams & Wilkins Co. v. United States*, 420 U.S. 376 (1975). Justice Blackmun took no part in the decision. *See id.*

88. In the majority's view, there was no practical means, consistent with law, to compensate the copyright holders and yet retain the benefits of impromptu photocopying. *See supra* notes 84-86 and accompanying text. Today, with the benefit of hindsight, the Court might find practical methods, including photocopying by third-party licensees, to distribute copies of research literature at reasonable cost. *See supra* note 82. Apparently these copyright clearance institutions were only in their infancy when *Williams & Wilkins* was decided.

must weigh in applying the doctrine in specific cases.⁸⁹ In so doing, Congress tried to avoid oversimplification. Yet, at the same time, it apparently wanted to impart direction and specificity to courts' deliberations in fair use cases, perhaps in the hope that consistent rules or standards would emerge over time—if not for all classes of cases, at least for specific fact patterns. In codifying fair use, Congress apparently hoped to move the state of the law from ad hoc balancing of policy to an intermediate station on the road, perhaps, to the development of predictable standards.

Unfortunately, commentators have been slow to appreciate the value of what Congress has done. For example, Leon Seltzer has proposed a standard that would do no more and no less than institutionalize ad hoc policy balancing.⁹⁰ In a similar vein, Professor Wendy Gordon has proposed a three-part standard that would rule a use fair when: "(1) market failure is present; (2) transfer of the use to defendant is socially desirable; and (3) an award of fair use would not cause substantial injury to the incentives of the plaintiff copyright owner."⁹¹ Although Professor Gordon's first factor reflects an important theoretical contribution—the introduction of economic market concepts into the fair use calculus⁹²—the latter two appear similar to Seltzer's policy-balancing test.⁹³

Professor Gordon proposes adding both a procedural and a substantive gloss to the balancing test. She would require that market failure be demonstrated before courts could begin policy balancing⁹⁴

89. See *infra* notes 117-23 and accompanying text.

90. Seltzer's proposed fair use statute would read: "Fair use is use that is necessary for the furtherance of knowledge, literature, and the arts and does not deprive the creator of the work of an appropriately expected economic reward." Seltzer, *Exemptions and Fair Use in Copyright: The "Exclusive Rights" Tensions in the New Copyright Act*, 24 BULL. COPYRIGHT SOC'Y U.S.A. 215, 243 (1977) (emphasis omitted), reprinted in L. SELTZER, EXEMPTIONS AND FAIR USE IN COPYRIGHT 31 (1978). The scales of the balance of course would turn on judicial interpretation of the word "appropriately." See Seltzer, *supra*, at 244.

Even before adoption of the Copyright Act of 1976, there was little need to codify such policy balancing because courts, conscious of the fundamental policies underlying copyright law, were aware of the broad policies to be balanced. The task for the codifiers was to take the next step, away from balancing acts and toward detailed and consistent handling of relevant factual circumstances.

91. Gordon, *supra* note 7, at 271.

92. See *id.* at 259-71, 288-98. For a discussion of economic market concepts, see *infra* text accompanying notes 334-44.

93. "The third and final part of the test is designed to maintain the appropriate balance between the incentive and dissemination interests discussed earlier. Fair use should be denied whenever a substantial injury appears that will impair incentives." Gordon, *supra* note 7, at 275-76. See generally *id.* at 298-312 (balancing social benefits of use against impact on incentives under various circumstances).

94. See *id.* at 272, 298, 301 n.210, 302 n.213.

and would give the defendant the burden of proving market failure and social utility of the use.⁹⁵ Once the defendant had carried this burden, Professor Gordon would require the plaintiff to come forward with evidence of a "substantial" injury to incentives in order to rebut the fair use defense.⁹⁶ In addition, she would encourage courts to consider certain special circumstances, such as the plaintiff's implied or likely consent to the use⁹⁷ or the improbability of such consent in cases of negative criticism and parody.⁹⁸ Nonetheless, apart from the threshold requirement for a showing of market failure, Professor Gordon's analysis bears a striking resemblance to a process of balancing in which the social benefit of the use is weighed against the injury to incentives that the use is likely to cause.⁹⁹

Professor Fisher's recent article¹⁰⁰ is of the same genre. It divines four fundamental values in *Sony* and *Nation Enterprises*,¹⁰¹ views them as inconsistent, and concludes that their centrifugal force will tear the fair use doctrine asunder.¹⁰² It therefore proceeds to reconstruct the doctrine and its underlying values from scratch.¹⁰³ In doing so, it explores two different approaches: an economic calculus,¹⁰⁴ which Professor Fisher admits is far too complex and unwieldy for practical use,¹⁰⁵ and a normative approach based on Pro-

95. *See id.* at 285.

96. *See id.* at 286 (burden of proof); *id.* at 277-78, 310-12 (substantial injury).

97. *See id.* at 305-10.

98. *See id.* at 294-95. *But see id.* at 295-96 (antidissemation motives do not always show market failure).

99. Professor Gordon recommends that courts make a finding of injury separately from the balancing test in order to clarify analysis. *See id.* at 310-11. She does not say how this finding would differ from application of the fourth (market effect) factor specified by Congress. *See* text accompanying note 118.

100. *See* Fisher, *supra* note 58.

101. *See id.* at 1686-91. For a discussion of these values, see *supra* note 58.

102. *See id.* at 1691-92.

103. Professor Fisher is forthright about the sweeping nature of his proposals. *See id.* at 1695-98. Although he asserts that the current statute would support their adoption by the judiciary, he advises "[r]eaders who disagree [to] treat the proposed reforms as suggestions for amendments to the copyright statute." *Id.* at 1698 n.193.

104. *See id.* at 1698-1744.

105. *See id.* at 1718-19, 1739 ("Few judges would be willing . . . to attempt an analysis of [this] sort Of those inclined to commence such a project, few would succeed."). For an outline of the analysis based on simplifying assumptions, see *infra* note 502.

In Professor Fisher's view, the chief practical value of his economic calculus lies in four general principles that he derives from it: (1) a ranking of each putative use of a copyrighted work according to its "incentive/loss ratio" (which Professor Fisher defines as the increase in incentives for creativity that would flow from prohibiting the use, divided by the corresponding loss in economic efficiency of dissemination of the copyrighted work), *see id.* at 1705-17, 1740; (2) a broad conception of economic harm to copyright owners flowing from allegedly infringing uses, *see id.* at 1740-41; (3) a reluctance to permit uses that impair the ability of the copyright owner to practice "price discrimination" by exploiting the work at

essor Fisher's view of "the good life" and his reading of philosophy and jurisprudence.¹⁰⁶ It then proposes a set of analytical factors, which Professor Fisher derives from his notions of "the good life" and the economic analysis.¹⁰⁷ Both its economic and philosophical analyses virtually ignore the statute.

Like Professor Gordon's approach, Professor Fisher's exegesis on economics and jurisprudence appears to be based upon an unstated assumption: that Congress accomplished nothing by codification. Professor Fisher's analysis begins and ends with *Sony* and *Nation Enterprises*.¹⁰⁸ The inconsistent values that his article identifies as underlying the doctrine of fair use are derived primarily from the text of those opinions.¹⁰⁹ Thus his article never asks, let alone answers, whether the Supreme Court, and not Congress, might have failed. It never explores whether the Supreme Court, by relying too heavily upon Congress' stated intention not to freeze the law,¹¹⁰ might have ignored not only Congress' equally explicit intention to give the courts some guidance,¹¹¹ but also well-established precepts of case law and the legislative mandate that the four fair use factors in Section 107 "shall" be considered.¹¹²

In any event, tests and standards based solely on policy do little to advance the state of fair use analysis for three reasons. First, policy balancing is not a new approach.¹¹³ Second, because balancing tests allow courts to weigh the policies that are placed in balance, they do little to control and guide judicial discretion. As a result, decisions based on balancing often turn on the personal value systems of

different prices under different terms and in different media, *see id.* at 1742-43; and (4) a respect for "productivity," under which an "activity that improves upon or makes some creative use of copyrighted material should be permitted more readily than an activity that does not." *Id.* at 1743.

106. *See id.* at 1744-95. This section of Professor Fisher's article is aptly titled "Utopian Analysis." It also prescribes values for the "Good Society." *See id.* at 1751-55.

107. *See id.* at 1780-83. Professor Fisher applies these factors to the facts of the *Sony* and *Nation Enterprises* decisions and concludes that *Sony* was probably wrongly decided, but that *Nation Enterprises*, a closer case, may have been decided correctly. This is similar to the conclusions that this Article reaches, albeit by quite a different route for *Sony*, but the analysis here would probably reverse the outcome in *Nation Enterprises*. *See infra* Section V(F).

108. *See Fisher, supra* note 58, at 1664-86, 1783-94.

109. *See id.* at 1686-92.

110. *See infra* note 127 and accompanying text.

111. *See infra* text accompanying notes 125-26.

112. 17 U.S.C. § 107 (1982), *quoted infra* in text accompanying note 118. Professor Fisher's appeals to "the good life" are unlikely to impress the Supreme Court because a majority of Justices now sitting on the Court appear to profess scant inclination, and to disclaim any power, to make unfettered value choices in applying the nation's statutes.

113. For a discussion of policy balancing in *Rosemont Enterprises* and *Williams & Wilkins*, *see supra* text accompanying notes 59-88.

judges—for example, the extent to which they personally value such things as scientific research in comparison with the commercial prospects of publishers of scholarly journals.¹¹⁴ Although selection among competing values by judges is often unavoidable, building the doctrine of fair use on such a foundation can hardly be said to promote consistent and predictable decisions. Finally, Congress has spoken. However much generalized balancing of policies may have figured in fair use analysis prior to codification, the present statute apparently was intended to reduce courts' balancing of policies in the abstract.

In Section 107 of the Copyright Act of 1976, Congress appears to have prescribed a remedy for unfettered judicial value judgment, unfocused decisionmaking, and unpredictable results.¹¹⁵ That prescription was pondered for some twenty-one years,¹¹⁶ yet only ten years have passed since the statute became effective. Perhaps courts should give the congressional prescription a chance to work.

3. CODIFICATION

When Congress codified the fair use doctrine for the first time,¹¹⁷ it carefully hedged its language, reflecting the difficulty of reducing an essentially unquantifiable doctrine to words. Section 107 reads as follows:

114. It is hard to escape the conviction that the decision in *Williams & Wilkins* was motivated by a personal choice of basic values. See *supra* notes 84-88 and accompanying text.

Despite the decision's clear basis in a choice between two conflicting values, see *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1353-54, 1362-63 (Ct. Cl. 1973), *aff'd without opinion*, 420 U.S. 376 (1975). *Williams & Wilkins* purported to apply the four fair use factors codified in Section 107, which then were part of the copyright revision proposal before Congress. See *id.* at 1352-53 (citing H.R. REP. NO. 83, 90th Cong., 1st Sess. 29 (1967)). The court, however, took pains to note that its decision had no center of gravity, and that no single factor was decisive. See *Williams & Wilkins*, 487 F.2d at 1353, 1362.

115. The late Professor Nimmer argued: "It is open to question . . . whether even [the] modest goal [of aiding analysis] is achieved by the amorphous language of the statute. [*Nation Enterprises*] demonstrates the almost infinite elasticity of each of the four factors, and their concomitant inability to resolve difficult questions." 3 M. NIMMER & D. NIMMER, *supra* note 47, § 13.05[A][5], at 13-82.

However, it seems to be the Court's opinions in *Sony* and *Nation Enterprises* that are flawed, not the statute. If properly construed, the statute can provide substantial help in clarifying and systematizing the law of fair use. Even Nimmer recognized that the four factors "do offer some guidelines." *Id.* at § 13.05[A][5], 13-67. In any event, there is a fundamental reason why courts and commentators should restrain their impulses to ignore the statute and frolic through the fields of jurisprudential metaphysics: it happens to be the law of the land.

116. For a capsule history of the effort to revise copyright law, see *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 159-61 (1985); see also *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 462 n.9 (1984) (Blackmun, J., dissenting). The revision of copyright law under the Copyright Act of 1976 has been called more an "overhaul" than an amendment. See Comment, *Commissioned Works As Works Made for Hire Under the 1976 Copyright Act: Misinterpretation and Injustice*, 135 U. PA. L. REV. 1281, 1290 (1987).

117. See *supra* note 8 and accompanying text.

Notwithstanding the provisions of section 106 [setting forth the exclusive rights of copyright owners], the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.¹¹⁸

Four points inhere in this language, and all are corroborated by the legislative history. First, fair use is a complete defense to an action for infringement of copyright. A use that is fair “is not an infringement of copyright,” even if all the legal prerequisites for a claim of infringement otherwise are met.¹¹⁹ Second, use for a purpose stated in the statute is not automatically fair. The entire fair use calculation must be applied to the enumerated uses as to any others.¹²⁰ Third, the words “shall include” make clear that the four factors

118. 17 U.S.C. § 107 (1982).

119. See HOUSE REPORT, *supra* note 6, at 66.

120. The position of the words “the fair use” in the first sentence of Section 107, as well as Congress’ use of the definite article, indicate that the enumerated uses are only examples of the type of conduct that *may* be fair use if the general requirements of the doctrine are met. See 17 U.S.C. § 107 (1982).

In addition, the House Report strongly suggests that Section 107’s explicit reference to such things as news reporting, lack of profit motive, photocopying and multiple copies for classroom use were not intended to create presumptions. Rather, those references were intended to provide examples of circumstances that often involve fair use when all relevant factors are considered. See HOUSE REPORT, *supra* note 6, at 65-66. The following excerpt from The House Report is illustrative:

The Committee has amended the first of the criteria to be considered—“the purpose and character of the use”—to state explicitly that this factor includes a consideration of “whether such use is of a commercial nature or is for non-profit educational purposes.” This amendment is not intended to be interpreted as any sort of not-for-profit limitation on educational uses of copyrighted works. It is an express recognition that, as under the present law, the 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.

Id. at 66.

specified in Section 107 are nonexclusive.¹²¹ Other factors may be considered and in particular cases may be even more important than the enumerated ones.¹²² Finally, the word "shall" clearly indicates that courts *must* consider the four specified factors, whatever else they may consider.¹²³

Understanding the statute, however, becomes more problematic upon examination of its legislative history. The House Report begins by acknowledging the flexibility and generality of the "fair use" doctrine, stating:

Although the courts have considered and ruled upon the fair use doctrine over and over again, no real definition of the concept has ever emerged. Indeed, since the doctrine is an equitable rule of reason, no generally applicable definition is possible, and each case raising the question must be decided on its own facts.¹²⁴

Having acknowledged that fair use is a witches' brew, the House Report next seeks to justify its distilling the brew into four fractions:

On the other hand, the courts have evolved a set of criteria which, though in no case definitive or determinative, provide some gauge for balancing the equities. These criteria have been stated in various ways, but essentially they can all be reduced to the four standards which have been adopted in section 107.¹²⁵

Thus, although Congress recognized the need to apply the fair use doctrine on a case-by-case basis, it felt that its four fractions offered a reasonable substitute for the real witches' brew.¹²⁶

121. See also *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 560 (1985) ("The factors enumerated in [Section 107] are not meant to be exclusive.").

122. For example, the *Nation Enterprises* Court attached great importance to the unpublished status of the underlying work in deciding that its use was unfair. See *id.* at 550-55, 564. There are good reasons for considering unpublished status, but as an analytically separate fair use factor. See *infra* Sections IV(B), V(E)(2).

123. Although Congress recognized its lack of omniscience by allowing other factors to be considered, it apparently thought that the four factors in the statute would be sufficient to resolve most cases. See *infra* note 125 and accompanying text.

124. HOUSE REPORT, *supra* note 6, at 65. For additional legislative history, see H.R. REP. NO. 1733, 94th Cong., 2d Sess. (1976), reprinted in 1976 U.S. CODE CONG. & ADMIN. NEWS 5810; S. REP. NO. 473, 94th Cong., 1st Sess. (1975).

Although the Senate Report addressed an earlier version of the copyright revision bill, which was modified in significant respects before reaching final form, the language of Section 107 in that earlier version was not changed. Consequently, much of the Senate Report's general commentary on the law of fair use was adopted verbatim in the House Report.

125. HOUSE REPORT, *supra* note 6, at 65.

126. Congress did not itself divine the four factors. Three of them date back to one of the first American fair use decisions, in which Justice Story observed:

In short, we must often, in deciding questions of this sort, look to the nature and objects 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.

The language of the statute and the House Report indicate Congress' intention to provide a solid analytic basis for fair use doctrine. Yet the House Report disclaims any intention to change the law or hobble its progress.¹²⁷ The views of Congress as expressed in the House Report therefore can be boiled down to three propositions: first, no exact rules are possible; second, the statute does not freeze the law; and third, the statute does not change the law.

These propositions may seem hard to reconcile with the clear language of the statute, which demands that the four nonexclusive factors always be considered. Can other factors, which are not likely to be relevant in every case, be the sole source of flexibility in the law? The answer appears to be no; there must be additional ways to provide the flexibility that Congress desired in order to accommodate current law and adapt to rapid technological change. Two approaches are plausible. First, in deciding individual cases, courts might vary the weight given to each of the four enumerated factors and find that one factor is more important in a given case, based on the specific facts of that case, rather than on general principles of law. Second, courts might vary the interpretation of each of the four factors based on the specific facts of each case. Although both of these approaches lead to greater flexibility, the former appears preferable because reinterpretation of the four factors from case to case would render the factors uncertain and defeat Congress' attempt to provide a consistent and coherent framework for analysis. Accordingly, courts may decide fair use cases with greater consistency by considering additional factors and, when appropriate, varying the weight of the four factors that Congress enumerated, rather than by allowing the

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

Comparing this passage with Section 107 shows that, almost 150 years ago, Justice Story identified three of the four factors—all except the “nature of the copyrighted work.” See W. PATRY, *supra* note 5, at 24-25.

127. The House Report states:

However, the endless variety of situations and combinations of circumstances that can rise [sic] in particular cases precludes the formulation of exact rules in the statute. The bill endorses the purpose and general scope of the judicial doctrine of fair use, but there is no disposition to freeze the doctrine in the statute, especially during a period of rapid technological change. Beyond a very broad statutory explanation of what fair use is and some of the criteria applicable to it, the courts must be free to adapt the doctrine to particular situations on a case-by-case basis. Section 107 is intended to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way.

HOUSE REPORT, *supra* note 6, at 66; see also *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171, 1174 (5th Cir. 1980) (Congress “in no way intended to depart from Court-created principles or to short-circuit further judicial development.”).

factors themselves, like images seen through a melting lens, to fade in and out of focus.

In any event, one thing is manifest in both the statute and its legislative history: Congress intended to replace the witches' brew of equity and ad hoc policy balancing with more finely refined elixirs, but without curtailing development of the doctrine in the common law tradition. Now that the fair use doctrine has been codified, equity and policy cannot be the sole basis for decision, or even a first resort. Nor can policy be balanced in the air. To be sure, Congress recognized the difficulty of the problem it was addressing and imposed no simple rules or broad presumptions. Indeed, it would have abhorred presumptions as oversimplification. Nonetheless, it did prescribe four factors for analysis, and each decision must begin by considering them.

III. THE RIDDLES OF *SONY* AND *NATION ENTERPRISES*

Prior to codification the Supreme Court had never addressed the fair use doctrine. Twice the Court had the opportunity, but on both occasions it was equally divided and summarily affirmed the lower court's ruling without opinion.¹²⁸ Thus the large body of case law that Congress intended to incorporate in Section 107 is devoid of binding Supreme Court precedent, and the Court's opinions in *Sony* and *Nation Enterprises*, following codification, assume particular importance.

In each decision, however, the Supreme Court was badly divided.¹²⁹ In each, there was a vehement dissent, and both the majority and the dissent polluted the congressional prescription with unwarranted broad presumptions. The results can hardly be called a clarification of the law.

128. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 476 (1984) (Blackmun, J., dissenting). The two cases in which the Court was divided were *Williams & Wilkins Co. v. United States* and *Benny v. Loew's Inc.* See *Williams & Wilkins*, 487 F.2d 1345 (Ct. Cl. 1973), *aff'd without opinion*, 420 U.S. 376 (1975); *Benny*, 239 F.2d 532 (9th Cir. 1956), *aff'd without opinion sub nom. Columbia Broadcasting Sys., Inc. v. Loew's Inc.*, 356 U.S. 43 (1958).

Like other decisions affirmed by an equally divided Supreme Court, these two provide no binding precedent for sister circuits, but serve only as the "law of the case" between the parties involved. See *Hertz v. Woodman*, 218 U.S. 205, 213-14 (1910).

129. In *Sony*, the Court voted 5-4 in favor of a liberal reading of fair use. Justices Blackmun, Marshall, Powell, and Rehnquist dissented. In *Nation Enterprises*, the vote was 6-3 for a narrow reading of fair use, with Justices Brennan, White, and Marshall dissenting. These votes reveal little, however, about doctrinal alignments on the Court because the facts of the two cases were so different.

A. *An Analysis of Sony Corp. of America v. Universal City Studios, Inc. (the "Betamax" Case)*

In *Sony*, producers of copyrighted television programs sued makers and vendors of video tape recorders ("VTR's") for contributory infringement of copyright.¹³⁰ The complaint alleged that users of VTR's had infringed copyrights in the television programs by recording them off the air without authorization, and that the defendants were liable for the infringement because of their marketing of the VTR's.¹³¹ No consumers (users of VTR's) were named in the complaint.¹³²

As the Court recognized,¹³³ the Copyright Act of 1976 does not mention contributory infringement of copyright. There are, however, specific statutory provisions governing contributory infringement of patents.¹³⁴ Under these provisions, the sale of an unpatented machine is not contributory infringement unless the machine is a "material part of the invention" known by the seller "to be especially made or especially adapted for use in an infringement . . . and not a staple article or commodity of commerce suitable for substantial noninfringing use."¹³⁵ This rather narrow definition of contributory patent infringement is firmly grounded in policy: if a patent holder could enjoin the sale of a staple article of commerce merely because it *could be used* to infringe the patent, he could extend the coverage of his patent beyond its proper statutory and constitutional bounds.¹³⁶

In *Sony*, the Supreme Court borrowed this patent doctrine, construed it in light of earlier copyright decisions on vicarious liability, and created a new standard for contributory infringement of copyright.¹³⁷ It held that the sale of copying machines such as VTR's for general use does not constitute contributory infringement if the machines are "capable of substantial noninfringing uses."¹³⁸

By accepting this standard for contributory copyright infringement, the Supreme Court made its work easier, for determining whether copying machines are "capable" of "substantial noninfringing uses" does not require a detailed inquiry into the uses to which they are actually put. It was therefore unnecessary to remand the

130. See *Sony*, 464 U.S. at 420, 437, 442.

131. See *id.* at 420.

132. See *id.* at 420, 434.

133. See *id.* at 434.

134. See 35 U.S.C. § 271(c)-(d) (1982); see also *id.* of § 271(b) (inducing infringement).

135. See *id.* at § 271(c).

136. See *Sony*, 464 U.S. at 440-41.

137. See *id.* at 440-42.

138. *Id.* at 442.

case for further findings of fact on this issue, or to compile and compare usage statistics. All that was required was to determine whether "the product is widely used for legitimate, unobjectionable purposes."¹³⁹

In *Sony*, the evidence showed that the predominant practice of VTR owners was noncommercial taping of broadcast television programs in order to view them at a later time.¹⁴⁰ The VTR owners primarily copied programs from "free" television for the purpose of "time-shifting," not retaining library copies for repeated use.¹⁴¹ Moreover, a significant number of owners of copyrights in sports, religious, educational, and other programs testified that they did not object to private, noncommercial time-shifting for home use.¹⁴² Indeed, some of them encouraged such time-shifting because it enlarged their effective audience.¹⁴³

These authorized uses alone might have provided sufficient non-infringing use to support the Court's ruling of no contributory infringement. In the Court's words:

If there are millions of owners of VTR's who make copies of televised sports events, religious broadcasts, and educational programs . . . and if the proprietors of those programs welcome the practice, the business of supplying the equipment that makes such copying feasible should not be stifled simply because the equipment is used by some individuals to make unauthorized reproductions of respondents' works.¹⁴⁴

Given the strength of that statement, the Court could have ended its analysis there, but it did not. Instead, it went on to examine whether *unauthorized*, noncommercial time-shifting for home use—which the

139. *Id.* The Court's use of verbal formulas was not terribly consistent. *Compare id.* ("[T]he product is widely used for legitimate, unobjectionable purposes.") *with id.* ("capable of substantial noninfringing uses") *and id.* ("capable of commercially significant noninfringing uses").

Although the Court's language was inconsistent, it differed from the dissent's formulation in an important respect. The *Sony* majority would have excused the sale of copying machines that are *capable* of commercially significant uses other than infringement, regardless of how they are actually used. The dissenters, however, would have required a showing of actual noninfringing use. *See infra* notes 165-66 and accompanying text.

140. *See Sony*, 464 U.S. at 421, 423-24 & n.4.

141. A substantial number of surveyed consumers apparently had accumulated libraries of recorded programs. *See id.* at 423 & n.3. But the plaintiffs apparently did not rely on this point in their argument.

In any event, the case did not involve pay or cable television, the transfer of tapes, the replaying of programs for profit, or any commercial purpose. *See id.* at 425.

142. *See id.* at 424, 443-47. *Sony* had taken a survey indicating that 7.3% of Betamax use was to record such programs. *See id.* at 424.

143. *See id.* at 445-46 & n.27.

144. *Id.* at 446.

evidence had shown was the predominant use of VTR's—constituted copyright infringement. Because there was no question that time-shifting involved copying, and that the copying was unauthorized, this use seemed clearly to violate the copyright holders' exclusive right of reproduction under Section 106(1) of the statute. Therefore, in order to determine whether this use also was noninfringing, the Court had to reach the issue of fair use.¹⁴⁵

The Court's application of the fair use calculus in *Sony* is a remarkable piece of work. Not only did the Court fail to address all of the statutory factors that Congress decreed "shall" be considered, but it also heavily relied upon nonstatutory "presumptions" that it conjured out of thin air. In addressing the first of the four fair use factors—the "purpose of the use"—the Court said:

Although not conclusive, the first factor requires that "the commercial or nonprofit character of an activity" be weighed in any fair use decision. If the Betamax were used to make copies for a commercial or profit-making purpose, such use would presumptively be unfair. The contrary presumption is appropriate here, however, because the District Court's findings plainly established that time-shifting for private home use must be characterized as a noncommercial, nonprofit activity.¹⁴⁶

The juxtaposition of the first and second sentences of this passage is one of the most remarkable nonsequiturs in Supreme Court jurisprudence. Beginning with the proposition that the commercial character of a use must be considered as part of the single "purpose" factor in a multifactor analysis, the Court concluded that commercial activity raises a presumption against fair use.¹⁴⁷ Apparently, the Court

145. There are two possible explanations for the Court's apparent eagerness to reach this issue, despite the lack of any compelling need to do so. First, although a decision based only on authorized time-shifting may have resolved the legal problems of VTR manufacturers, it would have left millions of individual VTR users vulnerable to potential direct infringement actions by producers. Perhaps the Court sought to foreclose this possibility by judicial fiat. Second, the Court may have reached the fair use issue because of the relative unimportance of authorized time-shifting in the case. Perhaps the Court felt that noninfringing use at a level of 7.3% was not enough to justify rejection of contributory infringement claims.

A reluctance to rely on such a small percentage of noninfringing use is not unreasonable, for the contributory infringement doctrine is a vital linchpin in the structure of patent law, and such reliance might have significant unforeseen repercussions in that field. If this was the reason for the Court's reaching fair use, however, it did not say so. At any rate, if the Court had been concerned about the relative proportion of authorized and unauthorized time-shifting, its proper course would have been to remand the case for further fact finding, as the evidence before the Court on this point did not appear conclusive. The dissenters recommended this course, although for different reasons. See *infra* text accompanying notes 165-68.

146. *Sony*, 464 U.S. at 448-49 (footnotes omitted).

147. This conclusion is the more remarkable because the Court, to support the proposition

applied the presumption not just to the single "purpose" factor under discussion, but to the entire fair use calculus.¹⁴⁸

The Court's statement that *commercial* activity raises a presumption against fair use is even more remarkable because that branch of the Court's presumption was entirely unnecessary to decide the case. The district court had found, and the Supreme Court acknowledged, that the use at issue was noncommercial.¹⁴⁹ It is therefore tempting to dismiss at least this branch of the twin "presumptions" as obiter dictum. Nevertheless, the Supreme Court reinforced it by repeating it two paragraphs later¹⁵⁰ and by relying on it in its decision in *Nation Enterprises*.¹⁵¹

Ignoring entirely the second fair use factor, "the nature of the copyrighted work," the Court then turned to the third statutory factor, the "amount taken." Without further discussion, it tossed off this factor as follows:

Moreover, when one considers the nature of a televised copyrighted audiovisual work . . . and that time-shifting merely enables a viewer to see such a work which he had been invited to witness in its entirety free of charge, the fact that the entire work is reproduced . . . does not have its ordinary effect of militating against a finding of fair use.¹⁵²

In this attempt to appeal to common sense, the Court ignored both the need to justify the substantiality of the amount taken with reference to the policies underlying copyright protection¹⁵³ and much of the history of fair use, throughout which the taking of an entire work has rarely been viewed as fair.¹⁵⁴

Notwithstanding the *Sony* Court's startling nonsequitur regard-

that commercial character must "be weighed," quoted a passage from the House Report which can only be construed as eschewing presumptions. *See id.* at 449 n.32 (quoting HOUSE REPORT, *supra* note 6, at 66, *quoted in part in supra* note 120).

148. Given the brevity of the Court's discussion of fair use and its failure to address seriously the middle two factors, the Court's decision must rest largely on its self-generated presumption. The effect of the presumption, however, became less clear after the Court's decision in *Nation Enterprises*. *See infra* text accompanying notes 219-23 & 277-85.

149. *See Sony*, 464 U.S. at 425.

150. *See id.* at 451, *quoted infra* at note 157.

151. *See Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 561-63 (1985).

152. *Sony*, 464 U.S. at 449-50 (citations omitted).

153. *See infra* Sections V(C)(1), V(C)(2).

154. *See generally* 3 M. NIMMER & D. NIMMER, *supra* note 47, § 13.05[A], at 13-79; *id.* at § 13.05[D], 13-90.10 to -93; *infra* note 420 and accompanying text. Before *Sony*, one of the very few cases permitting appropriation of entire works was *Williams & Wilkins Co. v. United States*. *See Williams & Wilkins*, 487 F.2d 1345 (Ct. Cl. 1973), *aff'd without opinion*, 420 U.S. 376 (1975), *discussed supra* at Section II(B)(2)(a). Yet surely the purpose of the use in *Williams & Wilkins*, progress in medical research, deserves more weight than the purpose of the use in *Sony*, personal entertainment free of charge.

ing presumptions, its treatment of the final, or “market effect,” factor is perhaps the most significant aspect of its decision. In its analysis, the Court relied on the policy of incentives for authorship and acknowledged that even noncommercial copying might undermine that policy.¹⁵⁵ After noting that “a use that has no demonstrable effect upon the potential market for, or the value of, the copyrighted work need not be prohibited,”¹⁵⁶ the Court continued as follows:

Thus, although every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright, noncommercial uses are a different matter. A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work. Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that *some* meaningful likelihood of future harm exists. If the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated.¹⁵⁷

The Court then upheld the findings of the district court that the plaintiffs had demonstrated no likelihood of market effect.¹⁵⁸

Several twists of fair use jurisprudence emerge from the Court’s statement just quoted. First, the twin “presumptions” arising out of the commercial or nonprofit character of the use rear their ugly heads again. Apparently the Court hoped to infuse them by repetition with what they lack in logic, authority, and consistency with the congressional command.¹⁵⁹ Second, by strongly linking the statutory “market effect” factor with the notion of “commercial use”—an aspect of the “purpose” factor—the Court appeared to deprive the “market effect” factor of much of its independent significance. Third, by requiring the plaintiff to show some likelihood of harm “by a preponderance of the evidence” in cases involving noncommercial use, the Court apparently shifted the burden of proof on the issue of fair use to the plaintiff in those cases.¹⁶⁰ Finally, and most important, by its ref-

155. See *Sony*, 464 U.S. at 450.

156. *Id.*

157. *Id.* at 451 (emphasis in original).

158. See *id.* at 451-56.

159. See *infra* Section IV(A).

160. Traditionally, fair use has been an affirmative defense in all cases. See W. PATRY, *supra* note 5, at 477 & n.2 (citing cases under Copyright Act of 1909). Indeed, in its very next

erence to "some meaningful likelihood of future harm" the Court appeared to open the door to speculation concerning the likely effect of similar uses of copyrighted works in the marketplace.¹⁶¹

Having opened the door to speculation in theory, at least for future cases, the Court next slammed it shut in the plaintiffs' faces. In the district court, the *Sony* plaintiffs had argued that noncommercial time-shifting created three adverse market effects.¹⁶² First, they had argued that people watching delayed recordings of broadcasts would not be counted in the live audience by television rating services, thereby causing the programs' ratings and advertising revenues to suffer. Second, they had claimed that consumer replays of television broadcasts would cut into revenues from live television and movie attendance. Finally, they had claimed that time-shifting would reduce the audience for television reruns and film rental exhibitions. The Court, however, dismissed these claims in a few short sentences, without substantive discussion, relying entirely on the district court's conclusory findings of "no harm."¹⁶³ The Court cited the district court's oft-repeated conclusion—that any harm was "speculative and, at best, minimal"—and observed that noncommercial time-shifting is beneficial to the public because it extends the reach of broadcast television audiences.¹⁶⁴

fair use decision, the Court noted that "[t]he drafters [of section 107] resisted pressures from special interest groups to create presumptive categories of fair use, but structured the provision as an affirmative defense requiring a case-by-case analysis." *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 561 (1985) (citing H.R. REP. NO. 83, 90th Cong., 1st Sess. 37 (1967); W. PATRY, *supra*, at 477 & n.4). The plaintiff should have the burden of proof of the "market effect" factor in the fair use calculus, but the defendants should bear the burden of proof of fair use as a whole. See *infra* Section V(D)(1).

161. See *infra* Sections IV(C), V(D)(3).

162. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 452-53 (1984).

163. See *id.* at 452-54. The quality of the district court's reasoning is reflected in the following points, which were summarized in the Supreme Court's opinion: (1) Betamax users could not escape commercials because they had to watch the programs while recording them, and fast-forwarding through commercials would be "too tedious," *id.* at 452 n.36; (2) VTR usage would not impede watching television or going to movies because "Betamax owners will play their tapes when there is nothing on television they wish to see and no movie they want to attend," *id.* at 453 n.37; and (3) theater and film rental exhibitions will not suffer because "time-shift recording entails viewing and erasing, so the program will no longer be on tape when the later theater run begins," *id.* at 453 n.39. The district court reached the latter conclusion despite evidence that a substantial number of surveyed consumers had accumulated libraries of recorded programs. See *id.* at 423 & n.3.

As the dissent's analysis showed, see *id.* at 483 n.35 (Blackmun, J., dissenting), the factual findings of the district court were clearly erroneous. See *infra* note 185. Indeed, with the aid of hindsight, the district court's reasoning appears laughable to any owner of a VTR. Every rental of a prerecorded videocassette has added one more nail to the coffin of the court's factual findings, so that today not even Count Dracula could emerge.

164. See *id.* at 454.

The four dissenters in *Sony* took issue with nearly every aspect of the majority's opinion. Regarding the standard for contributory infringement of copyright, they viewed the majority's focus on the *capability* of the copying machine, as distinguished from its actual use, as creating too weak a prohibition against infringement.¹⁶⁵ Instead, the dissenters would have determined whether "a *significant* portion of the product's [actual] use is *noninfringing*"¹⁶⁶ to assess liability for contributory infringement. The dissenters also disagreed with the majority on the central issue of unauthorized time-shifting for home use. They would have found that use unfair.¹⁶⁷ Accordingly, to decide whether noninfringing uses were significant, the dissenters would have remanded the case to the district court to determine the relative proportions of authorized and unauthorized time-shifting.¹⁶⁸

In their fair use analysis, the dissenters were more careful than the majority to respect the dictates of Congress. Unlike the majority, they discussed all four of the statutory factors enumerated in Section 107.¹⁶⁹ After discussing the doctrinal difficulties and the intent of Section 107,¹⁷⁰ they turned to questions of policy, balanced the goal of creating incentives for creativity against the goal of encouraging free dissemination of ideas, and concluded that a productive purpose is critical to a finding of fair use.¹⁷¹ As an example, they compared copying by an "ordinary user" to copying by a scholar and found the former's use less deserving of protection.¹⁷²

165. *See id.* at 490-91 (Blackmun, J., dissenting).

166. *Id.* at 491 (emphasis in original).

167. *See id.* at 485-86.

168. *See id.* at 492-93.

169. *See id.* at 496-98. The dissenters took the majority to task for ignoring the second and third factors. *See id.* at 496-97.

170. *See id.* at 475-76.

171. *See id.* at 477-80. The dissenters noted that all of the purposes explicitly mentioned in the statute as likely candidates for fair use are productive. *See id.* at 478. They concluded as follows: "Purely consumptive uses are certainly not what the fair use doctrine was designed to protect, and the awkwardness of applying the statutory language to time-shifting only makes clearer that fair use was designed to protect only uses that are productive." *Id.* at 496. Their argument implicitly approved the reasoning of the Ninth Circuit, which had relied heavily on the unproductive nature of home copying in reversing the decision of the district court. *See Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963, 971-72 (9th Cir. 1981), *rev'd*, 464 U.S. 417 (1984).

172. *Sony*, 464 U.S. at 477-80 (Blackmun, J., dissenting). The dissent stated:

When the ordinary user decides that the [copyright] owner's price is too high, and forgoes use of the work, only the individual is a loser. When the scholar forgoes the use of a prior work, not only does his own work suffer, but the public is deprived of his contribution to knowledge. The scholar's work, in other words, produces external benefits from which everyone profits. In such a case, the fair use doctrine acts as a form of subsidy—albeit at the first author's

Applying these principles to the "purpose" factor, the dissenters would have held in favor of the plaintiffs. They noted that time-shifting was nothing less than the copying of entire works for their original (primarily entertainment) purposes, and that the copiers added nothing to those works.¹⁷³ Unlike the majority, the dissenters rejected the argument that the producers had made their broadcasts available for free and therefore could not complain if users wished to copy and view them at a later time.¹⁷⁴ They pointed out that the copyright holder's exclusive performance right, which includes the right of broadcast, is independent of the right of reproduction; the exercise of one does not preclude the exercise or withholding of the other.¹⁷⁵

Addressing the "nature of the copyrighted work," the dissenters would have weighed this factor against fair use.¹⁷⁶ They noted that 80% of the programs recorded by VTR users were entertainment¹⁷⁷ and thus entitled to greater protection than informational works.¹⁷⁸ Because VTR users copied entire television programs, they also would have weighed the amount taken against fair use. Indeed, they thought that the amount taken "might alone be sufficient to preclude a finding of fair use."¹⁷⁹

Turning to the final "market effect" factor, the dissenters generally agreed with the majority on the appropriate legal standard. Like the majority, they focused on potential, not actual, harm to the copyright holder's market.¹⁸⁰ Accordingly, they would have required the plaintiff to show only "a reasonable possibility that harm will result from the proposed use," rather than any "actual . . . or even probable

expense—to permit the second author to make limited use of the first author's work for the public good. . . . But when a user reproduces an entire work and uses it for its original purpose, with no added benefit to the public, the doctrine of fair use usually does not apply. There is then no need whatsoever to provide the ordinary user with a fair use subsidy at the author's expense.

Id. (citations and footnotes omitted).

173. *See id.* at 480.

174. *See id.* at 497 n.49.

175. *See id.* at 480.

176. *See id.* at 496-97.

177. Sony's own consumer survey had produced this figure. *See id.* at 497.

178. *See id.* at 496-97. Works of fiction are generally entitled to a narrower scope of fair use than "fact works." *See infra* notes 375-78 and accompanying text.

179. *Sony*, 464 U.S. at 497 (Blackmun, J., dissenting). Except where "the effect on the author is truly *de minimis*," as when one copies a newspaper clipping to send to a friend, the dissenters felt unproductive copying of entire copyrighted works was not fair. *See id.* at 481-82.

180. "[A] particular use which may seem to have little or no economic impact on the author's rights today can assume tremendous importance in times to come." *Id.* at 482 (quoting HOUSE COMM. ON THE JUDICIARY, COPYRIGHT LAW REVISION, PT. 6, SUPP. REP. OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW: 1965 REVISION BILL, 89th Cong., 1st Sess. 14 (1965)).

harm."¹⁸¹

Yet despite this apparent agreement on the legal standard, the dissenters differed with the majority on both the application of the standard and the ultimate result in the case. Relying on its self-generated "presumption" in favor of noncommercial use, the majority placed the burden of proving possible harm on the plaintiff.¹⁸² In contrast, the dissenters would have placed the burden on the defendant because the use was nonproductive.¹⁸³ Also unlike the majority, they would have rejected the factual findings of the district court.¹⁸⁴ In a footnote, the dissenters methodically and correctly refuted the district court's rejection of the producers' claims of harm.¹⁸⁵ Moreover, they saw the VTR users' willingness to pay substantial sums for VTR's and tapes as an independent basis for a finding of potential harm. If users would pay for the ability to copy television programs, they reasoned, then users also would pay for copies of the programs. Therefore their free recording of those programs, without payment to the copyright

181. *Id.* Although this verbal formula differs from the majority's—"some meaningful likelihood of future harm"—the difference appears to be more rhetoric than substance. *See id.* at 451 (majority opinion). The dissenters, however, would have restricted their "reasonable possibility of harm" standard to cases of nonproductive use and were unwilling to extend it to the productive uses traditionally accorded fair use status. *See id.* at 482 (Blackmun, J., dissenting).

182. *See supra* note 160 and accompanying text.

183. "Rather, the infringer must demonstrate that he had not impaired the copyright holder's ability to demand compensation from (or deny access to) any group who would otherwise be willing to pay to see or hear the copyrighted work." *Sony*, 464 U.S. at 485 (Blackmun, J., dissenting). A fair reading of the dissent as a whole reveals an intent to place the burden of proof on the defendant. *See id.* at 483-84 (district court applied incorrect substantive standard and misallocated burden of proof); *id.* at 484 (copyright holders should not bear risk of uncertainty created by rapid development of technology). However, one reference to burden of proof was inconsistent. *See id.* at 482 ("[C]opyright holder need prove only a *potential* for harm to the market." (emphasis in original)).

184. *See id.* at 483-86.

185. The dissent stated:

A VTR owner who has taped a favorite movie for repeated viewing will be less likely to rent or buy a tape containing the same movie, watch a televised rerun, or pay to see the movie at a theater. Although time-shifting may not replace theater or rerun viewing or the purchase of prerecorded tapes or discs, it may well replace rental usage; a VTR user who has recorded a first-run movie for later viewing will have no need to rent a copy when he wants to see it. Both library-builders and time-shifters may avoid commercials; the library-builder may use the pause control to record without them, and all users may fast-forward through commercials on playback.

Id. at 483 n.35.

The dissenters also noted expert testimony that showed a likely decrease in studio revenues as a result of both time-shifting and library-building and the district court's own findings that substantial library building had actually occurred. *See id.* For a discussion of the district court's findings, see *supra* note 163.

holders, by itself demonstrated an adverse market impact.¹⁸⁶

B. *An Analysis of Harper & Row, Publishers, Inc.
v. Nation Enterprises*

In the very next Term after its *Sony* decision, the Supreme Court again addressed the issue of fair use in *Harper & Row, Publishers, Inc. v. Nation Enterprises*.¹⁸⁷ This time, however, fair use was the only issue. The defendant, the publisher of *The Nation* magazine, in effect had conceded copyright infringement in the absence of fair use.¹⁸⁸

The case involved the autobiography of former President Gerald R. Ford, which Harper & Row and the *Reader's Digest* had agreed to publish shortly after he left office.¹⁸⁹ Ford had given the publishers the right to publish the autobiography in book form, as well as the exclusive right to license prepublication excerpts.¹⁹⁰ To protect these rights, both Ford and the publishers had agreed to maintain confidential treatment of the manuscript.¹⁹¹

Ford prepared the manuscript, consisting of some 200,000 words,¹⁹² and the publishers licensed *Time* magazine to publish excerpts of 7,500 words before the book was published. *Time* agreed to pay \$25,000 for this privilege in two installments—half in advance and half upon publication.¹⁹³

Two or three weeks before the scheduled release of *Time's* article, Victor Navasky, then editor of *The Nation*, received a copy of Ford's entire manuscript from an unidentified source. Although Navasky knew that he was not authorized to have the copy, he sensed that the manuscript contained "hot news" and hastily prepared a 2,250 word article for immediate publication in *The Nation*.¹⁹⁴ His article included a number of verbatim excerpts from Ford's manuscript, but contained no original research or new material.¹⁹⁵ After *The Nation* published Navasky's article, *Time* cancelled its plans to

186. See *Sony*, 464 U.S. at 485 (Blackmun, J., dissenting).

187. 471 U.S. 539 (1985).

188. The defendant "admitted to lifting verbatim quotes of the author's original language totaling between 300 and 400 words." *Id.* at 548.

189. See *id.* at 542.

190. See *id.*

191. The publishers agreed to keep the manuscript confidential. See *id.* at 564. Ford agreed to "endeavor not to disseminate" any of the "unique information" in it through the public news media. See *id.* at 603 (Brennan, J., dissenting) (quoting publishing agreement).

192. See *id.* at 579, 587.

193. See *id.* at 542-43.

194. See *id.* at 543.

195. See *id.* The article was "composed of quotes, paraphrases, and facts drawn exclusively from . . . [Ford's] manuscript." *Id.* Three hundred words were appropriated verbatim. See *id.* at 544-45.

publish excerpts from Ford's book and refused to pay the second installment of the license fee. The publishers then sued *The Nation* for copyright infringement, among other things.¹⁹⁶

The United States District Court for the Southern District of New York found copyright infringement and no fair use and awarded actual damages of \$12,500—the unpaid amount of the license fee due.¹⁹⁷ Although recognizing that the historical facts in Ford's manuscript were not eligible for copyright protection, the court found the "totality of these facts and memoranda collected together with Ford's reflections" eligible for copyright protection.¹⁹⁸

A divided United States Court of Appeals for the Second Circuit reversed.¹⁹⁹ It rejected the district court's "totality" approach and, as a result, its refusal to find fair use. In the Second Circuit's view, ideas and facts were unprotectable, whether as part of a "totality" or otherwise.²⁰⁰ Therefore it stripped away the ideas and facts from the manuscript, leaving "at most, approximately 300 words that are copyrighted."²⁰¹ With respect to the taking of those words, the Second Circuit analyzed the four statutory factors and found fair use.²⁰² It found *Time's* cancellation of its release to have been due to *The Nation's* use of unprotected facts and ideas in Ford's manuscript, rather than to appropriation of the 300 words protected by copyright.²⁰³ Accordingly, it held the taking fair.²⁰⁴

The Supreme Court reversed the Second Circuit in a 6-3 decision. Avoiding both the "totality" issue and the task of distinguishing idea from expression, the Court focused on the 300 words admittedly taken verbatim.²⁰⁵ In its fair use analysis, however, the Supreme Court differed with the Second Circuit as to each of the four statutory factors and therefore ruled the use unfair.²⁰⁶

Before turning to the four statutory factors, the Court addressed

196. *See id.*

197. *See Harper & Row, Publishers, Inc. v. Nation Enters.*, 557 F. Supp. 1067, 1072-73 (S.D.N.Y.), *rev'd*, 723 F.2d 195 (2d Cir. 1983), *rev'd*, 471 U.S. 539 (1985).

198. *See Nation Enters.*, 471 U.S. at 544 (quoting *Harper & Row, Publishers, Inc. v. Nation Enters.*, 557 F. Supp. 1067, 1072 (S.D.N.Y.), *rev'd*, 723 F.2d 195 (2d Cir. 1983), *rev'd*, 471 U.S. 539 (1985)).

199. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 723 F.2d 195, 208-09 (2d Cir. 1983), *rev'd*, 471 U.S. 539 (1985).

200. *See id.* at 208.

201. *See Nation Enters.*, 471 U.S. at 544-45 (quoting *Harper & Row, Publishers, Inc. v. Nation Enters.*, 723 F.2d 195, 206 (2d Cir.), *rev'd*, 471 U.S. 539 (1985)).

202. *Nation Enters.*, 723 F.2d at 207-08.

203. *See id.* at 208.

204. *See id.*

205. *See Nation Enters.*, 471 U.S. at 548-49.

206. *See id.* at 545, 560-69.

two important issues of fair use doctrine. First, it held that unpublished works are entitled to special protection in fair use analysis.²⁰⁷ After reviewing the copyright statute's legislative history and Congress' intention to preserve preexisting fair use doctrine, the Court concluded that a special concern for unpublished works under preexisting law survived codification.²⁰⁸ As a matter of policy, it reasoned that special protection of unpublished works would secure authors' rights to privacy, promote full gestation of their creative effort, foster artistic integrity, and preserve the significant economic value of the right of first publication.²⁰⁹ Moreover, the Court perceived in these interests a constitutional dimension derived from the first amendment, namely, a freedom *not* to speak.²¹⁰ Accordingly, it concluded that "[u]nder ordinary circumstances, the author's right to control the first public appearance of his undissemated expression will outweigh a claim of fair use."²¹¹

As a second preliminary point, the Court rejected *The Nation's* argument that Ford's status as an important public figure dictated a finding of fair use.²¹² Because public figures, like other authors, are motivated by financial incentives, the Court reasoned that expansion of the fair use doctrine for their works might reduce the incentive to produce those works, thereby undermining one of the most crucial goals of copyright protection.²¹³ It also noted that public figures, like others, have a first amendment right *not* to speak.²¹⁴ Finding the dichotomy between idea and expression²¹⁵ sufficient to protect the first amendment interest in the dissemination of information, the

207. *See id.* at 549-55.

208. *See id.* at 552-55.

209. *See id.* at 554-55.

210. *See id.* at 559-60.

211. *Id.* at 555. Although the Court may have created a presumption that use of an unpublished work is unfair, it did not specify the precise legal effect of the presumption. The dissenters at first accused the majority of creating "a categorical presumption against prepublication fair use." *Id.* at 595 (Brennan, J., dissenting). Later, however, they said the majority opinion "is ambiguous as to whether it relies on the force of the presumption against prepublication fair use or an analysis of the purpose and effect of this particular use." *Id.* at 596.

To the extent the Court did not actually apply the presumption in its analysis, the majority's statement in text might be viewed as dictum. If indeed the Court applied a presumption, it did not say whether the presumption applied to the fair use calculus as a whole, to a single factor in that calculus, or to a combination of factors. Nevertheless, the Court's opinion made clear that unpublished status deserves substantial weight in fair use analysis. *See Nation Enters.*, 471 U.S. at 564, 568-69.

212. *See id.* at 559-60.

213. *See id.* at 559 ("It is fundamentally at odds with the scheme of copyright to accord lesser rights in those works that are of greatest importance to the public."); *id.* at 560.

214. *See id.* at 559-60; *supra* text accompanying note 210.

215. *See supra* text accompanying notes 39-47 and note 57.

Court refused to "create what amounts to a public figure exception to copyright."²¹⁶ It therefore ruled that copying from public figures' works "must be judged according to the traditional equities of fair use."²¹⁷

Turning to the four statutory fair use factors, the Court first analyzed the "purpose" factor and considered whether news reporting is a favored purpose.²¹⁸ It noted congressional resistance to "pressures from special interest groups to create presumptive categories of fair use"²¹⁹ and therefore refused to give news reporting the benefit of a presumption of favorable treatment, even one limited to the "purpose" factor.²²⁰ It next reviewed *The Nation's* commercial motive in using the Ford manuscript, its intention to "scoop" first publication by *Time*, and its knowing exploitation of "a purloined manuscript."²²¹ In the Court's view, these facts, coupled with the "presumption" against the fairness of commercial use, tilted the scales of the "purpose" factor against the defense.²²²

Although the Court's general conclusion as to the "purpose" factor was clear, it did not explicitly weigh and balance the facts it cited. Nor did it say whether, in the absence of these peculiar facts, a news reporting function would tilt the scales of the "purpose" factor toward fair use. Thus, it left the general status of news reporting unclear.

Addressing the "nature of the work" factor, the Court acknowledged the distinction in fair use analysis between "factual works" and "works of fiction or fantasy."²²³ It conceded the factual nature of the Ford memoirs, but it noted that *The Nation* had taken some of Ford's expression as well as his facts²²⁴—an observation not germane to the "nature" factor. In any event, the Court found the published status of Ford's manuscript "a critical element of its 'nature.'"²²⁵ It reasoned that *The Nation's* publication of excerpts had impaired the author's legitimate interest in confidentiality and creative control of

216. *Nation Enters.*, 471 U.S. at 560.

217. *Id.*

218. *See id.* at 561.

219. *Id.* at 561. For the complete quotation, see *supra* note 160.

220. "The fact that an article arguably is 'news' and therefore a productive use is simply one factor in a fair use analysis." *Nation Enters.*, 471 U.S. at 561.

221. *See id.* at 561-63.

222. *See id.* at 562-63.

223. *See id.* at 563; *infra* text accompanying notes 375-78.

224. *See Nation Enters.*, 471 U.S. at 563-64; *see also infra* note 378 and accompanying text (noting the relativity of the distinction between fact and fiction).

225. *Nation Enters.*, 471 U.S. at 564.

an unpublished work, and therefore was unfair.²²⁶ In support of its position, the Court cited the copyright holder's agreement to "keep the manuscript confidential," which it seemed to interpret as allowing the author to maintain creative control of the work.²²⁷

With respect to the "amount taken" factor, the Supreme Court affirmed the district court's finding that *The Nation* had taken the "heart of [Ford's] book."²²⁸ It acknowledged that the test for infringement is how much of the plaintiff's work is taken, rather than how much of the defendant's work is borrowed.²²⁹ Nevertheless, it reasoned that a defendant's use of excerpts for a substantial portion of its own work is evidence of the "qualitative value" of the excerpts in both works.²³⁰ Noting that the excerpts used by *The Nation* constituted thirteen percent of *The Nation's* own article, the Court weighed the "amount taken" factor against fair use.²³¹

Finally, the Court addressed the "market effect" factor, calling it "undoubtedly the single most important element of fair use."²³² The Court viewed *Time's* cancellation of the planned publication of excerpts and refusal to pay the last installment of the license fee as rare evidence of both immediate market effect and actual damages.²³³ Yet it did not stop there. Quoting from its decision in *Sony*, the Court

226. *See id.*

227. *See id.* Evidently, the Court felt that Ford would have more freedom to shape the work in the absence of public comment about it during its preparation. *See id.*

Unlike the dissent, the majority did not address the significance of Ford's agreement to forego publicity regarding "unique information" in the manuscript. This counteragreement lent credence to the argument, which the Second Circuit accepted, that the publishers and the public cared about the facts and information at Ford's command—which copyright does not protect—rather than his artistic expression. *See supra* text accompanying notes 39-47.

228. *Nation Enters.*, 471 U.S. at 565. "A *Time* editor [had] described [the portions taken] as the most interesting and moving parts of the entire manuscript." *Id.*

229. *See id.* For a discussion of this point, see *infra* text accompanying notes 411-19.

230. *See Nation Enters.*, 471 U.S. at 565.

231. *See id.* at 565-66.

232. *See id.* at 566 (citing inter alia Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors*, 82 COLUM. L. REV. 1600, 1615 (1982)).

233. *See id.* at 567. In apparent response to the dissenters' argument that the offending article's use of unprotectible ideas, rather than protected expression, caused the cancellation, the Court observed that *Time* had cited *The Nation's* article as a reason for cancellation. *See id.* The Court also pointed out that copyright law requires the defendant to show causes of damage other than copying of protected expression once the plaintiff has shown a loss of revenue or the amount of the defendant's gross profits from an alleged infringement. *See id.*; see also *Blackman v. Hustler Magazine, Inc.*, 800 F.2d 1160, 1163-64 (D.C. Cir. 1986) (photographer entitled to recover magazine's \$3.9 million gross revenue for publication of infringing copies of photograph when magazine failed to prove deductions or show other causes of revenue); *MCA, Inc. v. Wilson*, 677 F.2d 180, 186 (2d Cir. 1981) (defendants have burden "to establish what portion of [gross] receipts was not profit from their use of the infringing song."); 17 U.S.C. § 504(b) (1982) (entitling copyright owner to recovery of

reaffirmed its view that "market effect" analysis must address the "potential market for the copyrighted work," including the market for derivative works.²³⁴ It reasoned that *Time's* cancellation of its own article clearly showed the potential of *The Nation's* use to affect the market for prepublication excerpts.²³⁵ The Court concluded as follows: "Placed in a broader perspective, a fair use doctrine that permits extensive prepublication quotations from an unreleased manuscript without the copyright owner's consent poses substantial potential for damage to the marketability of first serialization rights in general."²³⁶

The dissenters in *Nation Enterprises* criticized the majority for giving an "exceedingly narrow" scope to the doctrine of fair use, thereby impeding the dissemination and use of existing copyrighted works to prepare new ones.²³⁷ Although the majority had limited its analysis to the 300 words admittedly taken verbatim, in order to avoid the difficult task of separating idea from expression,²³⁸ the dissenters found that the Court's "failure to distinguish between information and literary form permeate[d] every aspect of the Court's fair use analysis and [led] the Court to the wrong result in this case."²³⁹

Aside from this broad point, the dissenters' fair use analysis differed from the majority's in several significant respects. In addressing the "purpose" factor, the dissenters would have ruled that news reporting, "[i]n light of the explicit congressional endorsement in § 107 . . . strongly favors a finding of fair use."²⁴⁰ Moreover, they would have ignored countervailing considerations that were persuasive for the majority. Noting that nearly all news reporting is undertaken for profit, the dissenters concluded that failure to recognize news reporting and criticism as favored categories of use because they

infringer's profits attributable to the infringement and requiring defendant to prove deductions from gross revenue and absence of causation).

The majority's reasoning, however, failed to meet the thrust of the dissent's argument. *Time's* statement was self-serving at best. More important, although *Time* may have canceled its own publication because of *The Nation's* "scoop," it is unclear whether the gist of the "scoop" was Ford's ideas or expression.

234. *Nation Enters.*, 471 U.S. at 568 (emphasis in original). See also *infra* note 496.

235. See *id.* at 567.

236. *Id.* at 569.

237. See *id.* at 579 (Brennan, J., dissenting).

238. Because the dissenters found the small amount of direct borrowing a fair use, they had to reach the issue whether Navasky's summaries and paraphrasing also were fair. After a careful review of the dichotomy between idea and expression and its underlying policies, including its first amendment overtones, the dissenters found the summaries and paraphrasing fair as well. See *id.* at 580-87.

239. *Id.* at 590.

240. *Id.* at 591.

are "published for profit is to render meaningless the congressional imprimatur placed on such uses."²⁴¹ As for the majority's arguments based on *The Nation's* intentional "scooping" of *Time* and use of a "purloined manuscript,"²⁴² the dissenters pointed out that "scooping" is the goal of every good news reporter,²⁴³ and that there was no legal basis for finding that the defendant had acted in bad faith—both because the plaintiffs had dismissed all common law causes of action and because the copyright claims had been of uncertain merit.²⁴⁴

Regarding the "nature of the copyrighted work," the dissenters criticized the Court's heavy reliance on the manuscript's unpublished status.²⁴⁵ To the extent the majority relied on "a categorical presumption against prepublication fair use," the dissenters found that reliance "unwarranted on its own terms"²⁴⁶ because the purpose and effect of prepublication use could vary dramatically depending on the circumstances.²⁴⁷ They also found any such reliance "unfaithful to congressional intent" because it substitutes a "two dimensional" approach for the "sensitive balancing of interests" that Congress required.²⁴⁸ To the extent that the majority relied on the actual effect of prepublication use in this case, namely, cancellation of the *Time* article, the dissenters viewed this as confusion between the "market effect" factor and the "nature of the copyrighted work" factor under discussion.²⁴⁹ The dissenters would have kept the two factors analytically separate and consequently would have viewed the "nature" factor as favoring the defendant because the original work was a "fact work."²⁵⁰

The dissenters had fewer differences with the majority regarding the "amount taken." They agreed with the majority that some of the borrowed parts of Ford's language were "drawn from the most poign-

241. *Id.* at 592.

242. *See id.* at 562-63 (majority opinion).

243. *See id.* at 593 (Brennan, J., dissenting).

244. *See id.* at 592-94.

245. *See id.* at 595-98.

246. *Id.* at 595. The dissenters had some doubt whether the majority actually applied a categorical presumption against prepublication fair use. *See id.* at 596; *supra* note 211.

247. *See Nation Enters.*, 471 U.S. at 595-96 (Brennan, J., dissenting).

248. *Id.* at 595-97 & 595 n.19. The dissenters referred the Court to footnote 40 of the Court's opinion in *Sony*, *see id.* at 596, in which the *Sony* Court had rejected a dichotomy between productive and nonproductive uses in considering the "purpose of the use" factor and had stated, "Congress has plainly instructed us that fair use analysis calls for a sensitive balancing of interests." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 455 n.40 (1984).

249. *See Nation Enters.*, 471 U.S. at 597-98 (Brennan, J., dissenting).

250. *See Nation Enters.*, 471 U.S. at 594, 598 (Brennan, J., dissenting).

ant expression in the Ford manuscript."²⁵¹ They also agreed that analysis of the "amount taken" is not merely quantitative, but requires an "evaluation of substantiality in qualitative terms."²⁵² However, they thought that the amount taken by *The Nation* was not inappropriate or excessive for the favored purpose of news reporting.²⁵³

Turning to the final "market effect" factor, the dissenters agreed with the majority's assertion that it is the most important consideration.²⁵⁴ They disagreed, however, on the actual market effect in the case. According to the dissenters, *Time* cancelled its article as a result of *The Nation's* taking of Ford's ideas and facts, not his expression.²⁵⁵ Because those ideas and facts are not protected by copyright, the dissenters viewed the cancellation as ineligible for consideration in fair use analysis.²⁵⁶ Finding other potential market effects to be nothing more than "sheer speculation," they concluded that the "market effect" factor weighed in favor of fair use.²⁵⁷ After balancing the factors, the dissenters therefore would have found the use fair.²⁵⁸

IV. PUTTING *SONY* AND *NATION ENTERPRISES* IN PERSPECTIVE

Hard cases often make bad law. Certainly both *Sony* and *Nation Enterprises* were hard cases, as the Supreme Court's split decisions show. A different result in *Sony* might have damaged the video tape recorder industry. Because Japanese firms dominated the industry, the impact on international trade would have been severe. More important, a refusal to find fair use in *Sony* would have raised the specter of sheriffs armed with injunctive orders²⁵⁹ entering consumers'

251. *Id.* at 598. The dissenters selected six brief quotations as constituting appropriation of protected expression. *See id.* at 599 n.22.

252. *Id.* at 598.

253. *See id.* at 601. The dissenters asserted that the same quotations appearing in a critical review would have gone unquestioned, and they felt that news reporting deserved no less deference from the courts. *See id.*; *see also infra* note 379 (quoting the dissent's evaluation of the portions taken).

254. *See id.* at 602 (Brennan, J., dissenting).

255. *See id.* at 602-03.

256. *See id.* The dissent cited Ford's "confidentiality" agreement as evidence that both the heart of the book and what the publishers sought were the information at Ford's disposal, and not Ford's expression. *See id.* at 603.

257. *See id.* at 604.

258. *See id.* at 604-05. Unlike the majority, the dissent explicitly weighed and balanced the fair use factors to reach a reasoned conclusion. *See id.* at 604.

259. Although there are criminal sanctions for copyright infringement, they apply only to acts of infringement done "willfully and for purposes of commercial advantage or private financial gain." 17 U.S.C. § 506(a) (1982); *see also* HOUSE REPORT, *supra* note 6, at 163 (characterizing criminal copyright offenses as "willful infringement for profit, fraudulent use of a copyright notice, fraudulent removal of notice, and false representation in connection with a

homes to stamp out unauthorized taping. The Court therefore was palpably reluctant to require a decree that could not be practically enforced,²⁶⁰ or perhaps to upset the balance of international trade. As for *Nation Enterprises*, it pitted the interests of a conservative successor to a discredited conservative president against one of the primary organs of the liberal establishment.

Of course the law is supposed to be oblivious to politics and public obloquy. In reading the opinions, however, it is hard to escape the conviction that the majority and dissent in both cases were responding to their unseen influences. Portions of the opinions, on both sides and in both cases, read like briefs. After the introductions, there is little acknowledgement of the complexity of the issues, but much that sounds like argument. Writing for the majority in *Sony*, Justice Stevens determined that the taking of an entire creative work verbatim did not tilt the "amount taken" factor against fair use because the work was broadcast free over television.²⁶¹ Writing for the majority in *Nation Enterprises*, Justice O'Connor appeared so intent on demonstrating that *The Nation* had overstepped the proper bounds of news reporting that she never explained whether or not, under other circumstances, news reporting might be a favored category of use.²⁶² Writing for the dissent, Justice Brennan argued not that *Time's* cancellation of its article was an unimportant market effect, or one outweighed by other factors, but that it was not a market effect cognizable under copyright law at all.²⁶³ As a result of this posturing, the opinions in both cases reek with intellectual dishonesty and faithlessness to congressional intent.

copyright application"). Accordingly, there was never any question that individual consumers would go to jail for copying television programs for personal use; the only issue was civil liability.

260. The popular press had criticized the Ninth Circuit's holding in *Sony* (that consumers' home copying was not fair use) because it raised the specter of remedies against individual consumers. See Gordon, *supra* note 7, at 280 n.124 (noting humorists' "image of persons being arrested in their homes," but failing to note that the statutory language precludes criminal liability for noncommercial, nonprofit use).

The question of remedy was also a source of disagreement between the district court and the Ninth Circuit in *Sony*. Compare *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 465-68 (C.D. Cal. 1979) (rejecting plaintiffs' plea for an order either forbidding the sale of VTR's, or requiring them to be modified to prevent unauthorized copying), *rev'd*, 659 F.2d 963 (9th Cir. 1981), *rev'd*, 464 U.S. 417 (1984) with *Universal City Studios, Inc. v. Sony Corp. of Am.* 659 F.2d 963, 976 (9th Cir. 1981) (proposing statutory damages, reconsideration of injunctive relief, and court-imposed continuing royalties), *rev'd*, 464 U.S. 417 (1984).

261. See *Sony Corp. of Am. v. Universal Studios, Inc.*, 464 U.S. 417, 449-50 (1984); *supra* text accompanying note 152.

262. See *supra* text accompanying notes 218-23.

263. See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 602-03 (1985) (Brennan, J., dissenting).

Four troubling aspects of *Sony* and *Nation Enterprises* are worthy of emphasis. First, the *Sony* Court created the twin "presumptions" regarding the commercial character of use out of thin air.²⁶⁴ Second, the *Nation Enterprises* Court made another "presumption"—against republication fair use—but left its precise legal effect unclear.²⁶⁵ Third, in both *Sony* and *Nation Enterprises*, the Court gave the concept of potential market effect broad scope, while neglecting any quantitative evaluation, thus encouraging courtroom speculation.²⁶⁶ Finally, in both decisions, the Supreme Court failed to weigh and balance the separate fair use factors that Congress had enumerated in light of the policies underlying copyright law. Indeed, the *Sony* majority mentioned only two of them.

A. *The Commercial/Nonprofit Presumption: The Witches' Brew Adulterated*

Of all the puzzling aspects of *Sony* and *Nation Enterprises*, the twin presumptions regarding commercial and nonprofit use are the most troubling. Created by the *Sony* Court out of whole cloth, these presumptions have no basis in the copyright statute, its legislative history, logic, or copyright policy. They only adulterate the purity of the congressional prescription.

Although Section 107 mentions the commercial or nonprofit nature of a use, it does so only as a single consideration to be weighed in evaluating one of the four statutory factors.²⁶⁷ No presumption is mentioned, nor can one fairly be implied. Moreover, in discussing the exclusive rights of copyright holders under Section 106, Congress stated its aversion to facile distinctions between commercial and nonprofit use.²⁶⁸ It is difficult to see why the Court, having recognized Congress' rejection of a presumption against nonproductive fair use,

264. See *supra* text accompanying notes 145-51.

265. See *supra* text accompanying notes 207-11 and note 211.

266. See *supra* text accompanying notes 157, 232-36.

267. For the text of Section 107, see *supra* text accompanying note 118.

268. The House Report stated:

The line between commercial and "nonprofit" organizations is increasingly difficult to draw. Many "non-profit" organizations are highly subsidized and capable of paying royalties, and the widespread public exploitation of copyrighted works by public broadcasters and other noncommercial organizations is likely to grow. In addition to these trends, it is worth noting that performances and displays are continuing to supplant markets for printed copies and that in the future a broad "not for profit" exemption could not only hurt authors but could dry up their incentive to write.

HOUSE REPORT, *supra* note 6, at 62-63.

Although this excerpt focuses on Congress' reason for abandoning a "for-profit" limitation on exclusive performance rights, its logic is equally applicable to the doctrine of fair use.

nevertheless established its own equally sweeping presumption against commercial fair use.²⁶⁹

With the aid of commercial hindsight, it is easy to find justification for Congress' aversion to presumptions in the facts of *Sony* itself. Since the *Sony* decision, there has been a veritable explosion in the market for the sale and rental of videotapes. A significant portion of this market undoubtedly consists of motion pictures and special programs that have been broadcast on television. It therefore appears likely that unrestrained home copying of television programs by consumers, albeit only for time-shifting purposes and not for profit, severely impacts the videotape market.²⁷⁰ Without the right to record a program that is broadcast at an inconvenient time, consumers would have no choice but to rent a commercial copy or forego watching the program entirely. The fact that their use is "noncommercial" does not mitigate this substantial effect on the market and hence on television producers' incentives to create.

More important, the *Sony* Court's twin presumptions for commercial and nonprofit use appear to conflict with the aims of Congress. As Justice Brennan correctly observed in his *Nation Enterprises* dissent, "Many uses § 107 lists as paradigmatic examples of fair use, including criticism, comment, and *news reporting*, are generally conducted for profit in this country, a fact of which Congress was obviously aware when it enacted § 107."²⁷¹ It seems unlikely that

The impact of a particular use on the market for a copyrighted work may have little to do with the user's profit motive, or lack thereof.

Professor Gordon argues that the financial straits of a user do not by themselves make a use fair:

[C]ourts should . . . take care that they do not tax copyright owners to subsidize impecunious but meritorious users under the guise of maximizing value. Only when the public interest to be served is great, and the damage to the [copyright] owner small, does the need for this caution diminish.

Gordon, *supra* note 7, at 293-94 (footnote omitted). This reasoning appears correct: neither the user's penury nor motive is relevant. Rather, the question is the effect on the dual copyright incentives for creation and dissemination of works of authorship.

Indeed, in two cases decided under the Copyright Act of 1909, but applying the then-proposed Section 107 factors for guidance, the Second Circuit explicitly ruled that a commercial motive, standing alone, was insufficient to negate fair use. See *Iowa State Univ. Research Found., Inc. v. American Broadcasting Cos.*, 621 F.2d 57, 60 & n.5, 61 (2d Cir. 1980); *Meeropol v. Nizer*, 560 F.2d 1061, 1068-69 (2d Cir. 1977), *cert. denied*, 434 U.S. 1013 (1978).

269. In rejecting the Ninth Circuit's presumption against nonproductive fair use in *Sony*, which the dissent implicitly adopted, the *Sony* Court admonished that "the question is not simply two dimensional" and that Congress required a "sensitive balancing of the interests." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 455 n.40 (1984).

270. The dissent in *Sony* recognized the market impact of consumers copying television programs without the aid of hindsight. See *id.* at 483 n.35; *supra* note 185.

271. See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 592 (1984) (Brennan, J., dissenting) (emphasis in original).

Congress intended a separate reference to “commercial nature” to undermine favorable treatment for categories of uses that it explicitly mentioned as candidates for fair use. Moreover, any presumptive effect of commercial motives would give public broadcasting entities a copyright advantage over commercial news media—an advantage that Congress expressly disapproved.²⁷²

As for logic, the Court’s own attempt to define the distinction between “commercial” and “nonprofit” uses of copyrighted works reveals the absence of any principled and generally applicable basis for doing so. In an apparent attempt to clarify what it had done in *Sony*, the Court in *Nation Enterprises* defined the distinction as follows: “The crux of the profit/nonprofit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.”²⁷³ To the extent this standard focuses on the defendant’s “stand[ing] to profit from exploitation of the copyrighted material,”²⁷⁴ it is circular. To the extent it focuses on the defendant’s failure to pay a price, the standard is useless, for it is the defendant’s failure to pay the copyright holder that necessitates resort to the fair use doctrine in the first place, and therefore every fair use defendant will have failed to pay a price. Finally, to the extent the Court’s standard focuses on what price is “customary,” it will involve courts in second-guessing the pricing of creative properties—a task for which the judiciary is ill-prepared.²⁷⁵

As for policy, the fundamental goal of copyright law under the Constitution is to provide financial incentives for creation and dissemination of works of authorship.²⁷⁶ Whenever an author uses preexist-

272. See *supra* note 268.

Perhaps the *Sony* Court meant to restrict the “noncommercial” category to “consumer” uses, i.e., uses by individuals for personal, family, or household purposes. If so, it failed to give any indication of that restriction. More important, favoring personal, nonproductive uses over uses that, although commercial, create new works would contradict fundamental copyright policy and traditional fair use doctrine, as the *Sony* dissent observed. See *supra* notes 171-72 and accompanying text.

273. *Nation Enters.*, 471 U.S. at 562.

274. *Id.*

275. Moreover, it can be argued that one of the primary functions of the doctrine of fair use is facilitating uses of existing creative works for which no market price is or can be established. See *supra* text accompanying notes 90-95. If this view is correct, then the fair use doctrine applies only when no customary price exists, and the Court’s standard is utterly useless.

276. See *supra* notes 56-59 and accompanying text. The majority and dissent in both *Sony* and *Nation Enterprises* recognized this fundamental point. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984); *id.* at 477-78 (Blackmun, J., dissenting); *Nation Enters.*, 471 U.S. at 545-46; *id.* at 580-81 (Brennan, J., dissenting). They differed, however, as to where courts should draw the balance between encouraging creation of new works and fostering uses of old ones.

ing copyrighted material to create a new work, the promise of profit from that use serves the constitutional purpose by providing an incentive for the act of creation. Only if marketing the new work impairs marketing of the underlying work—thereby undermining the incentive for creation of new works like the underlying work—is the constitutional incentive impaired. Yet there is no necessary relation between the profit enjoyed by the creator of a copyrighted work and that enjoyed by another who uses that work to create a new work. Indeed, the success of the second work may actually add to that of the first.²⁷⁷ Thus, the “profit” factor does not point consistently in a single direction, and its variable effect on copyright incentives cannot justify a presumption against commercial fair use that would destroy the “sensitive balancing of interests” desired by Congress.²⁷⁸

Not only did the *Sony* Court create “presumptions” with little support in the statute, its legislative history, logic, or policy; it also failed to explain how the “presumptions” are to be applied. Do they apply solely to the “purpose of the use” factor, to the “market effect” factor, to the “purpose of the use” and “market effect” factors together, or to the entire fair use calculus? Some support can be found in the *Sony* and *Nation Enterprises* decisions for each of these propositions.²⁷⁹ Thus it is not surprising that the lower courts have

277. See *Maxtone-Graham v. Burtchaeil*, 803 F.2d 1253, 1264 (2d Cir. 1986) (priest's commentary on book of interviews with women who had abortions might “stimulate further interest” in book), *cert. denied*, 107 S. Ct. 2201 (1987). For an extreme example of this phenomenon, see *New York Times Co. v. Roxbury Data Interface, Inc.*, 434 F. Supp. 217 (D.N.J. 1977). There the defendant had prepared an index of personal names cited in *The New York Times*, but the index referred to the newspaper's own index, rather than to the pages of the newspaper directly. Thus, no one could use the defendant's secondary index without access to the plaintiff's index. See *id.* at 223.

278. *Sony*, 464 U.S. at 455 n.40.

279. Some of the Court's language in *Sony* seems to imply that commercial use raises a supervening presumption applying to the entire fair use calculus. See *Sony*, 464 U.S. at 448-49, 451. Yet the *Sony* Court's original discussion of the presumption occurred in the course of its analysis of the “purpose” factor, so perhaps the presumption applies only to it. On the other hand, the *Sony* Court also stated that commercial use raises a presumption of adverse market effect, thus tying the presumption to that factor. See *supra* text accompanying note 157. Because the *Sony* Court did not weigh and balance the four fair use factors (and in fact discussed only two of them), it is difficult to divine precisely what effect the Court wished its presumption to have.

In an apparent attempt to resolve the confusion, the *Nation Enterprises* Court opined that “commercial as opposed to non-profit [use] is a separate factor that tends to weigh against a finding of fair use.” *Nation Enters.*, 471 U.S. at 562. Although one might interpret this statement as relegating the commercial character of use to the status of a fifth nonstatutory factor, the statement appeared in the Court's discussion of the “purpose” factor, and the Court's reasoning, if not its language, seemed to limit the presumption to that factor. In any event, the Court never explained the effect of its presumption on the traditional view that fair use is an affirmative defense of which the defendant bears the burden of proof. See *supra* note 160.

applied the presumption against commercial fair use to the fair use calculus as a whole,²⁸⁰ to the "purpose" and "market effect" factors separately,²⁸¹ to the "purpose" and "market effect" factors together,²⁸² to the "purpose" factor alone,²⁸³ and hardly at all.²⁸⁴ Given that the Court did not explain how to apply the "presumption," let alone its foundation, the lower courts are justified in restricting its application to the "purpose" factor and in liberally permitting its rebuttal. Indeed, allowing the presumption to have any greater effect would disturb the delicate balancing among the four statutory factors that Congress explicitly commanded.²⁸⁵

280. The *Sony* opinion "could hardly have been more lucid on this point," and "requires that we recognize a presumption of unfair use . . . arising from [the defendant's] commercial use of the copyrighted material." *Financial Information, Inc. v. Moody's Investors Servs., Inc.*, 751 F.2d 501, 508-09 (2d Cir. 1984), *cert. denied*, 108 S. Ct. 79 (1987). Interestingly, the Second Circuit in this opinion noted three distinct and different statements made by the *Sony* Court regarding the presumption. *See id.* at 508 n.4.

281. *See Pacific & S. Co. v. Duncan*, 744 F.2d 1490, 1496, 1497 (11th Cir. 1984) (evaluating two factors separately and applying presumption to each), *cert. denied*, 471 U.S. 1004 (1985).

282. *See Fisher v. Dees*, 794 F.2d 432, 437-38 (9th Cir. 1986) (analyzing "purpose" and "market effect" factors together because "[t]he defendant can rebut the presumption by convincing the court that the parody does not unfairly diminish the economic value of the original").

283. *See, e.g., United Tel. Co. of Mo. v. Johnson Pub. Co.*, 855 F.2d 604, 609 (8th Cir. 1988) (applying presumption to "purpose" factor without detailed explanation); *Maxtone-Graham v. Burtchaell*, 803 F.2d 1253, 1261-62 (2d Cir. 1986) (considering the commercial character of the use together with alleged errors and distortions under the "purpose" rubric, and denying that *Sony* "alter[ed] the traditional multifactor fair use inquiry"); *Hustler Magazine, Inc. v. Moral Majority, Inc.*, 796 F.2d 1148, 1152-53 (9th Cir. 1986) (holding that the presumption affects the "purpose" factor only and is rebutted by evidence of additional purpose, namely, countering alleged personal attack on subject of parody).

284. *See Salinger v. Random House, Inc.*, 811 F.2d 90, 96-97 (2d Cir.), *cert. denied*, 108 S. Ct. 213 (1987). Here, the Second Circuit ruled that a biographer's purpose in using J.D. Salinger's unpublished letters "to enrich his scholarly biography weighs the first fair use factor in [the biographer's] favor, notwithstanding that he and his publisher anticipate profits." *Id.* at 96. Based on other factors, however, the Second Circuit found the use unfair. *See id.* at 99-100; *see also Jackson v. MPI Home Video*, 694 F. Supp. 483, 489 (N.D. Ill. 1988) (weighing favorably as news reporting defendant's dissemination of videotapes of Jesse Jackson's speech at the Democratic National Convention, notwithstanding plaintiff's contention that it was done for profit).

285. Pre-*Sony* decisions of the lower courts rightly eschewed any presumption regarding commercial use. *See, e.g., MCA, Inc. v. Wilson*, 677 F.2d 180, 182 (2d Cir. 1981) ("While commercial motivation and fair use can exist side by side, the court may consider whether the alleged infringing use was primarily for public benefit or for private commercial gain."); *Iowa State Univ. Research Found. v. American Broadcasting Cos.*, 621 F.2d 57, 61 (2d Cir. 1980) (Commercial use "is relevant" but does not alone negate fair use.); *Meeropol v. Nizer*, 560 F.2d 1061, 1069 (2d Cir. 1977) (same), *cert. denied*, 434 U.S. 1013 (1978).

Accordingly, the Supreme Court might simply admit its mistake, abjure the presumption, and return to traditional fair use doctrine in its next fair use case. Yet however desirable this may be from the standpoint of logic, policy, and consistency with congressional intent, it seems unlikely. In *Nation Enterprises*, the majority used the presumption to its advantage. *See supra* text accompanying notes 220-22. Even the dissent reaffirmed it, at least for uses not specially

B. *The Presumption Against Prepublication Fair Use*

Unlike the presumption against commercial fair use, the *Nation Enterprises* Court's presumption against prepublication fair use is not easy to dismiss. As that Court noted,²⁸⁶ unpublished works were specially protected at common law,²⁸⁷ and the legislative history of the Copyright Act of 1976 suggests continued support for their special treatment.²⁸⁸ Unpublished works resound with overtones of privacy,²⁸⁹ and the right of first publication—commercially vital in the entertainment business—is unquestionably an important incentive for the production of creative works. Thus there is ample support for special treatment of unpublished works in fair use analysis.

Although the *Nation Enterprises* Court recognized the need for special treatment, it did not specify precisely what that special treatment should be. It spoke of a presumption and appeared to allow this presumption to color the entire fair use calculus.²⁹⁰ In its detailed analysis, however, the Court cited the unpublished status of Ford's manuscript as a "critical element of its 'nature.'"²⁹¹

mentioned by Congress, although its language underscores the presumption's illogic: "When a court evaluates uses that Congress has not specifically addressed, the presumption articulated in *Sony Corp.* is appropriate to effectuate the congressional instruction to consider 'whether such use is of a commercial nature.'" *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 592 n.16 (1985) (Brennan, J., dissenting) (quoting 17 U.S.C. § 107(1) (1982)) (emphasis added).

286. *See id.* at 551-54.

287. *See* 1 M. NIMMER & D. NIMMER, *supra* note 39, § 2.02, at 2-16.

288. The *Nation Enterprises* majority cited the Senate Report for the proposition that, although fair use doctrine favors classroom use of out-of-print works, it does not favor such use of unpublished works, because their unavailability may be "the result of a deliberate choice on the part of the copyright owner." *Id.* at 553. This language does not appear in the House Report because the material on copying for classroom use was replaced by negotiated guidelines incorporated into the legislative history. *See* HOUSE REPORT, *supra* note 6, at 68-70. However, the House Report explicitly endorsed the Senate Report's analysis. *See id.* at 67.

Congress' concern for unpublished works was not limited to classroom use. In adopting the Copyright Act of 1976, Congress explicitly preempted state common-law copyright. *See* 17 U.S.C. § 301(a) (1982). In so doing, it deprived authors of common-law copyright protection for unpublished works, which lasted for a potentially unlimited term, in exchange for statutory copyright protection of finite duration. *See* HOUSE REPORT, *supra* note 6, at 134-35. Because Congress feared this exchange might seem a bad bargain, it had a special concern for authors' rights in unpublished works. *See id.*

289. In their seminal article on privacy, Warren and Brandeis argued that protection of unpublished works under common-law copyright reflected deeply rooted notions of privacy. *See* Warren & Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193, 198-213 (1890). This rationale, however, may not be applicable to every sort of copyrighted work. *See infra* Section V(E)(2).

290. *See* *Nation Enters.*, 471 U.S. at 553 ("[B]alance of equities" for unpublished work "inevitably shifts."); *see also id.* at 555, quoted in part *supra* at text accompanying note 211; *id.* at 569 (unpublished status referred to four times in summation).

291. *See id.* at 564.

Certainly the English meaning of the word "nature" is broad enough to encompass the unpublished status of a work. Nevertheless, it appears inappropriate to treat unpublished status as part of the "nature" factor in fair use analysis, particularly if unpublished status is given presumptive effect. As early as 1966, the Second Circuit recognized that favoring use of "fact works" in fair use analysis would encourage the free flow of information,²⁹² and Congress must have had this reasoning in mind when it adopted the Copyright Act of 1976.²⁹³ More important, the policies underlying the first amendment and the dichotomy between idea and expression demand that fair use doctrine give greater play to use of works whose content is primarily factual. Therefore a work's place on the spectrum from fact to fancy is truly a critical element of its nature for fair use purposes, and careful attention to the place of the work used on that spectrum is just the sort of sensitivity that proper fair use analysis demands.²⁹⁴ A presumption against prepublication fair use, however, would obliterate that sensitivity. It would make no distinction between an unpublished autobiography—with all its overtones of privacy—and an unpublished series of statistical abstracts. To avoid this infelicity, unpublished status should be treated as a separate nonstatutory factor, apart from the "nature of the copyrighted work."²⁹⁵ So treated, it could be evaluated and weighed along with the intrinsic qualities of the work and the other three statutory factors.²⁹⁶

C. *The Market Effect: Speculation Run Rampant?*

Although the Court's handling of its presumptions against commercial and prepublication fair use was perhaps inartful, the most dif-

292. See *Rosemont Enters., Inc. v. Random House, Inc.*, 366 F.2d 303, 307 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967).

293. Indeed, the "nature" factor is the only one of the four fair use factors that was not anticipated by Justice Story in 1841. See *supra* note 126. Its inclusion may well have been due to the increasing importance of fact works in our information society.

294. Even the *Sony* Court, which entirely slighted the "nature" factor in its opinion, stated:

[I]t is not true that all copyrights are fungible. Some copyrights govern material with broad potential secondary markets. Such material may well have a broader claim to protection because of the greater potential for commercial harm. Copying a news broadcast may have a stronger claim to fair use than copying a motion picture.

Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 455 n.40. (1984).

More important, as the dissent in *Nation Enterprises* recognized, the effect of a use on the market for an unpublished work will depend greatly on its nature. See *supra* text accompanying notes 246-47.

295. Congress contemplated that courts would consider factors other than the four statutory ones. See *supra* text accompanying note 121.

296. For an elaboration of this point, see *infra* Section V(E)(2).

ficult questions raised by the *Sony* and *Nation Enterprises* decisions relate to the market effect. The *Nation Enterprises* Court unanimously named this the most important of the four statutory fair use factors.²⁹⁷ That conclusion is undoubtedly correct, for the effect of a subsequent use on the potential market for the original work directly implicates the incentives for creativity that copyright law provides and that the Constitution requires. Recognizing this, the majority in both *Sony* and *Nation Enterprises* construed the "market effect" factor broadly, and the dissent in *Sony* would have gone even further. Overall, the Supreme Court endorsed a broad notion of potential markets that includes not only the accused use and a proliferation of similar uses, but also derivative works of the underlying work and other potential uses, including potential markets not yet addressed.²⁹⁸

Certainly a broad view of potential markets supports the constitutional incentive for creativity. The exclusive opportunity to exploit all existing and potential markets creates a powerful incentive to create. Yet the Court's endorsement of a market effect inquiry almost unlimited in scope is troubling because it invites speculation. The chief evil of this speculation is that it can be dead wrong, as was the district court's "no harm" conclusion in *Sony*.²⁹⁹ Yet error is not its only evil. Whether right or wrong, speculation produces uncertainty, and judicial hunches are institutionally inappropriate bases for decisions by courts. Several fair use decisions—not the least of which is *Sony*—illustrate the proposition that speculation can lead judges to diametrically opposed positions, although they begin at the same point.³⁰⁰

Yet if speculation is anathema how can courts recognize the pecuniary interest of authors that is so vital to the copyright incen-

297. See *supra* notes 232, 254 and accompanying text.

298. See *supra* text accompanying notes 157, 180-81.

299. See *supra* notes 163, 185 and accompanying text; *Sony*, 464 U.S. at 452-54.

300. Compare *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 452-55 (1984) (endorsing district court's speculative prediction of no market effect) *with id.* at 483-85 & 483 n.35 (Blackmun, J., dissenting) (speculative, but correct, assessment of some market effect); compare *Hustler Magazine, Inc. v. Moral Majority, Inc.*, 796 F.2d 1148, 1156 (9th Cir. 1986) (members of Moral Majority would not read *Hustler* magazine, and back issues would be purchased for "other attractions," not parody, ergo no market effect) *with id.* at 1158-59 & n.1 (Poole, J., dissenting) (accused parody might be included in compilations that Moral Majority members would read, or they might purchase back copies of magazine to see parody in its original form, or to see how "shocking" the "other contents" of magazine are); compare *Consumers Union of the United States, Inc. v. General Signal Corp.*, 724 F.2d 1044, 1051 (2d Cir. 1983) ("probably few people would order" back issue of *Consumer Reports* just to obtain rating of lightweight vacuum cleaners), *cert. denied*, 469 U.S. 823 (1984) *with Consumers Union of the United States, Inc. v. General Signal Corp.*, 730 F.2d 47, 49 (2d Cir.) (Oakes, J., dissenting) (consumer seeing broadcast can see which vacuum cleaner tested best without purchasing magazine), *cert. denied*, 469 U.S. 823 (1984).

tive? Markets for works of authorship can change quickly in unpredictable ways, especially during times of rapid technological change like the present.³⁰¹ Few foresaw, for example, that cable television would emerge in less than twenty years from its precarious beginnings to threaten the major television networks in both the production of entertainment and the dissemination of news. Neglecting consideration of these vast and rapidly changing potential markets for fear of "speculation" would ignore commercial reality and therefore would slight the constitutional incentive to create. Perhaps a solution to this dilemma is a more quantitative approach to determining the market effect.³⁰²

D. *A Multifactor Analysis: Did Congress Really Mean What It Said?*

The final troublesome aspect of the *Sony* and *Nation Enterprises* decisions is the Court's opinions themselves. In neither case did the majority review all four statutory fair use factors and weigh and balance them together,³⁰³ as Congress apparently intended. In *Sony*, the omission was egregious. Not only did the Court fail to discuss all of the four factors, but it relied heavily on its self-created presumption in favor of noncommercial use. Although it discussed the "market effect" factor in light of the district court's finding that the harm to the plaintiff's market was speculative,³⁰⁴ it did not explicitly weigh

301. For examples of rapid development of new markets that cured apparent market failure, see *infra* text accompanying notes 338-42. The dissenters in *Sony* noted that the then-new VTR technology had created a new market consisting of people who want to watch broadcast television programs at other times. See *Sony*, 464 U.S. at 485 (Blackmun, J., dissenting). They thought that the copyright holders should have had the rights to revenue from this new market. *Id.*

Certainly the potential market consisting of the accused user, and others of his kind, is worthy of recognition in fair use analysis. See *United Tel. Co. of Mo. v. Johnson Publishing Co.*, 855 F.2d 604, 610 (8th Cir. 1988) (by copying plaintiff's new listings without authorization, defendant reduced plaintiff's potential revenue from licensing them); *Telerate Systems, Inc. v. Caro*, 689 F. Supp. 221, 230 (S.D.N.Y. 1988) (users' unauthorized copying of portions of financial database has negative market effect because database owner could charge for privilege of copying); Gordon, *supra* note 7, at 304-05 & n.221. Both the *Williams & Wilkins* and *Sony* decisions implicitly recognized this; the accused users in both cases were noncommercial, and therefore the users themselves were the only potential market at issue.

302. See *infra* text accompanying notes 501-06.

303. In *Sony*, the majority neglected to discuss the second and third factors, see *supra* text accompanying notes 151-152, 169, and the dissent did not weigh or balance the factors together, see *Sony*, 464 U.S. at 497-98. The *Nation Enterprises* majority addressed all four factors but devoted its summation to criticizing the decision of the Court of Appeals. See *Nation Enters.*, 471 U.S. at 569. Only the dissenters in *Nation Enterprises* explicitly weighed and balanced the four factors. See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 604-05 (1985) (Brennan, J., dissenting).

304. See *Sony*, 464 U.S. at 451-55.

the finding of no market effect against the other three fair use factors, all of which should have weighed strongly against a finding of fair use.

In *Nation Enterprises*, the Court paid obeisance to the congressionally mandated factors and discussed each in turn.³⁰⁵ In its apparent zeal to demonstrate that each factor favored its conclusion, however, the Court failed to keep the four factors analytically distinct. For example, it introduced arguably extraneous "good faith" considerations into the "purpose" factor,³⁰⁶ confused the "purpose" and "market effect" factors by including discussion of *The Nation's* "scooping" of *Time* in the former,³⁰⁷ and appeared to ignore the intrinsic qualities of the copyrighted work while emphasizing its unpublished status.³⁰⁸ Finally, like the *Sony* Court, the *Nation Enterprises* Court never explicitly weighed and balanced the four factors together.³⁰⁹

In the twilight zone of fair use, there are no statutory rules, only factors for consideration. Therefore the form of a judicial opinion may be as important as its substance. Congress sought to clarify the law of fair use by distilling the witches' brew into four fractions, and Congress directed that courts "shall" apply those fractions, as well as others that are relevant in particular cases. Courts do not advance Congress' purpose by omitting portions of the congressional prescription. Nor do they advance it by mixing one fraction with another, adulterating the fractions with extraneous matter, or neglecting to weigh and mix all the fractions in light of copyright policy. Fortunately, the lower courts have hewed more closely to congressional intent than did the Supreme Court in *Sony* and *Nation Enterprises*. They appear to have drunk deeply of the statutory elixir, with salubrious results.

V. AN ANALYTIC FRAMEWORK FOR FAIR USE

Because the Supreme Court seldom addresses fair use,³¹⁰ the task of clarifying the doctrine falls upon the lower courts. Unlike the Supreme Court, they appear to be addressing the primary jurisprudential goal of Section 107: distilling the witches' brew into the frac-

305. See *Nation Enters.*, 471 U.S. at 560-69.

306. See *id.* at 562-63. For reasons why good faith is extraneous to the "purpose" factor, and perhaps to the fair use calculation as a whole, see *infra* Section V(E)(1).

307. See *Nation Enters.*, 471 U.S. at 562-63; *supra* text accompanying notes 221-22.

308. The dissent chided the majority for this. See *supra* text accompanying notes 249-50. For a more general discussion of this confusion, see *infra* Section V(E)(2).

309. Instead, the Court used its concluding paragraph to sum up the errors of the Second Circuit's decision that it reversed. See *Nation Enters.*, 471 U.S. at 569.

310. See *supra* note 128 and accompanying text.

tions specified by Congress in the interests of clarity, certainty, and consistent development of the law. Over time, the lower courts have given each of the four statutory factors significant gloss. This Section analyzes the four statutory factors in light of their treatment in the lower courts, as well as policy, logic, and legislative history. It then addresses the two nonstatutory factors, good faith and unpublished status, that appeared in the Supreme Court's decisions. Finally, it applies the resulting framework for analysis to the facts of *Sony* and *Nation Enterprises*.

A. *The Purpose of the Use*

Although the Supreme Court has failed to acknowledge it, Section 107 recognizes certain favored categories of use. Indeed, it mentions six explicitly: "criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, [and] research."³¹¹ If this language admits of any doubt, the House Report puts it to rest:

[The following examples] give some idea of the sort of activities the courts might regard as fair use under the circumstances: "quotation of excerpts in a review or criticism for purposes of illustration or comment; quotation of short passages in a scholarly or technical work, for illustration or clarification of the author's observations; use in a parody of some of the content of the work parodied; summary of an address or article, with brief quotations, in a news report; reproduction by a library of a portion of a work to replace part of a damaged copy; reproduction by a teacher or student of a small part of a work to illustrate a lesson; reproduction of a work in legislative or judicial proceedings or reports; incidental and fortuitous reproduction, in a newsreel or broadcast, of a work located in the scene of an event being reported."³¹²

Congress did not create these favored categories by itself. On the contrary, a favorable view of productive borrowing merely reflects the collective judgment of the courts in developing the doctrine of fair use over the years.³¹³ Accordingly, analyses that favor such uses as news reporting, criticism, comment, teaching, scholarship, parody, and the

311. 17 U.S.C. § 107 (1982).

312. HOUSE REPORT, *supra* note 6, at 65.

313. See, e.g., *Cary v. Kearsley*, 170 Eng. Rep. 679, 680 (No. 170) (1803) (The question is whether borrowing from an early road atlas was "fairly done with a view of compiling a useful book, for the benefit of the public, upon which there has been a totally new arrangement of such matter,—or taken colourably merely with a view to steal the copy-right of the plaintiff."); *Folsom v. Marsh*, 9 F. Cas. 342, 344-45 (C.C.D. Mass. 1841) (Story, J.) (criticism), *quoted in infra* note 347. See generally W. PATRY, *supra* note 5, at 19-25 (analyzing Justice Story's opinion in *Folsom* as the source of three of the modern fair use factors).

like provide the continuity in the law of fair use that Congress intended.³¹⁴

To be sure, Congress did not intend to create a presumption favoring any specific type of use. The careful phrasing of the introductory sentence to Section 107 belies any such intention.³¹⁵ Moreover, as the Supreme Court correctly pointed out,³¹⁶ the legislative history of the Copyright Act of 1976 underlines Congress' suspicion of special interests pleading for special consideration under copyright law.³¹⁷ To the extent special pleading was successful, its results appear in Sections 108 through 119 of the statute,³¹⁸ but there is no trace of congressional intent to provide a presumption of fairness for any specific use under Section 107. Having distilled the witches' brew into four fractions to aid careful analysis of facts and policy, Congress allowed no presumptions to pollute them.

Yet Congress' reluctance to impose presumptions does not mean that it intended to treat all uses alike. On the contrary, the language of the statute and the House Report reveal that Congress intended to continue special consideration for traditionally favored categories of use, as well as other categories having similar significance for copyright policy. Congress' reluctance to create presumptions is adequately reflected in the facts that the "purpose and character of the use" is only one of four statutory factors, and that those factors are nonexclusive. Because any accused use must satisfy the multifactor test, in which all factors are weighed and balanced in light of copyright policy, there is no need to fear that mere preference for some categories of use will determine the outcome. Accordingly, the "purpose" factor should have at its core a simple issue: whether the type and purpose of the use fall within favored categories.

But what are these favored categories? Are they limited to uses specified in the statute or its legislative history, or to uses recognized

314. The three dissenters in *Nation Enterprises*—Justices Brennan, White and Marshall—strongly endorsed this view. See *Nation Enters.*, 471 U.S. at 590-91. For a statement of Congress' intent, see *supra* note 127.

Professor Fisher's "utopian vision" similarly finds value in uses of copyrighted works that promote "education," defined in a very broad sense. See Fisher, *supra* note 58, at 1770-72. His definition of education encompasses not only teaching, but also activities that "improve the public's access to information and debate on matters of public importance" (i.e., news). *Id.* at 1782. He proposes that "education," so defined, should be a distinct and favorable factor in the fair use calculation. See *id.* Yet a separate factor seems unnecessary if the courts interpret the "purpose" factor as favoring news and education—an interpretation that both the language of Section 107(1) and its legislative history support.

315. See *supra* note 120.

316. See *supra* notes 160, 269.

317. See *supra* note 160.

318. For a summary of the special statutory exceptions, see *supra* note 38.

by the courts prior to January 1, 1978, the effective date of the Copyright Act of 1976? Arguably, there should be no such limits. Although Congress did not intend to change the law of fair use, it also did not intend to hinder its development.³¹⁹ Whether or not a category of use was specifically mentioned or favored under prior law, it should be eligible for favored treatment under the "purpose" factor if it has characteristics that appear favorable in light of copyright policy. The search for the core of the "purpose" factor thus devolves to a search for these favorable characteristics.

In its decision in the *Sony* case, the Ninth Circuit described an important favorable characteristic: a "productive" purpose.³²⁰ Uses have this characteristic if they are intended to produce new works of authorship, whether or not they actually do so.³²¹ For example, the accused use in *Williams & Wilkins* was productive in this sense because it resulted in medical research that presumably would be published in journals like the ones used in that case. The accused use in *Nation Enterprises* was similarly productive because it resulted in a new work, *The Nation's* news article on the Ford autobiography. In contrast, the use in *Sony* was not productive, even in this limited sense, because it involved only personal entertainment (and perhaps education), with no particular creative output intended or expected.³²²

There are two reasons why a productive purpose, as so defined, should be favored in applying the "purpose" factor of the fair use calculus. First, nearly all of the specific uses mentioned in the statute and its legislative history are of this character.³²³ The only specified use that might be excluded from the proposed definition is use in classroom instruction, which normally does not contemplate production of new works of authorship based upon the old.³²⁴ Favorable treatment of that use, however, is best viewed as a special sort of subsidy for nonprofit education, rather than a consistent portion of the

319. See *supra* note 127.

320. See *Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963, 970-71 (9th Cir. 1981), *rev'd*, 464 U.S. 417 (1984).

321. Any requirement that an accused use actually produce useful output would be too restrictive. For example, such a requirement might undermine research because research, by nature, often leads to dead ends.

322. Professor Fisher concurs on this point. See Fisher, *supra* note 58, at 1786-87.

323. See *supra* text accompanying notes 311-12; see also *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 478 (1984) (Blackmun, J., dissenting).

324. Other uses mentioned in the House Report that might be considered nonproductive in this sense are replacement of damaged or lost portions of library copies and use for personal study or research. The former use is fair not so much because its purpose is favored, but because it has little market effect: it merely gives the library the benefit of a bargain it has already made by allowing it to repair copies that have been fortuitously damaged. Refusing to

total picture.³²⁵ Thus, the language of the statute and its history favor productive use.³²⁶

Second, favoring productive use is consistent with copyright policy. If a use produces no new copyrighted work, but has any impact whatsoever on the market for the underlying work, it impairs the incentive to have created the underlying work without producing any compensating benefit—at least any benefit that addresses copyright policy. Such a use reduces the incentive to create copyrighted works without advancing the goal of fostering their dissemination. On the other hand, if the use results in new copyrighted works, it serves both goals of copyright policy: it creates new works at the same time as it enhances dissemination of material from the old ones.³²⁷

Although the Supreme Court twice declined to endorse the concept of preferred categories of use,³²⁸ it has noted that the user's pro-

allow libraries to repair damaged copies would give copyright owners a windfall and might even encourage them to make copies less durable.

Personal study or research with no output is more problematic. To the extent output is expected but not achieved, this use should probably be favored, for the reason explained in *supra* note 321. To the extent output is not anticipated, use for private research might appear to be more for the purpose of personal consumption than production. Although reading and study may make a person smarter and later may lead to unanticipated productivity, they may be too tenuously connected to productivity to deserve special favor in fair use analysis. The external benefits associated with private study having no immediate productive goal may be too uncertain, and their value too difficult to estimate, to deserve specific recognition, at least insofar as the "purpose" factor is concerned.

325. Otherwise, it is difficult to explain the restriction to nonprofit education. Certainly for-profit education can assist productivity to the same extent as nonprofit education, and Congress made clear that nonprofit institutions can pay their way in copyright matters. See *supra* note 268.

326. The favored uses certainly should not be limited to those explicitly mentioned in the statute. For example, parody is not mentioned in the statute, but appears in the legislative history and is clearly within the mainstream of traditional fair use doctrine. See *supra* text accompanying note 312. For a discussion of parody, see *infra* Section V(C)(3).

Similarly, use of an earlier work to defend or rebut a personal or political attack is, and should be, in a favored category when applying the "purpose" factor. According to the House Report: "When a copyrighted work contains unfair, inaccurate, or derogatory information concerning an individual or institution, the individual or institution may copy and reproduce such parts of the work as are necessary to permit understandable comment on the statements made in the work." HOUSE REPORT, *supra* note 6, at 73; see also *Hustler Magazine, Inc. v. Moral Majority, Inc.*, 796 F.2d 1148, 1152-53 & n.8 (9th Cir. 1986) (fundraising goal of massive copying and distribution of insulting "parody" advertisement outweighed by purpose of rebutting personal attack).

327. Professor Fisher derives a similar respect for productivity both from his economic analysis and his exegesis on "the good life." See Fisher, *supra* note 58, at 1743, 1768-69. He concludes that "creative, transformative use of copyrighted material" should be a new, favorable factor in the fair use calculation. See *id.* at 1782. Introducing a new factor seems unnecessary, however, since the "purpose" factor should subsume the concept if properly applied.

328. In *Sony*, the Court's analysis of the "purpose" factor relied almost entirely on the presumption in favor of noncommercial use. See *supra* notes 146-48 and accompanying text.

ductivity is relevant.³²⁹ It therefore appears to have left open the possibility that productivity might tilt the "purpose" factor toward fair use, although not the entire fair use calculus. At least one post-*Sony* appellate court applied this sort of reasoning and gave the absence of a productive purpose substantial weight in refusing to find fair use.³³⁰

In any event, there is no reason to fear that favoritism for productive uses will skew fair use analysis. Unauthorized use of a substantial portion of a preexisting work is rarely fair;³³¹ and courts applying fair use doctrine have properly disapproved of a second author's failure to add something original of his own.³³² Further-

In *Nation Enterprises*, the Court noted that news reporting was a traditionally favored purpose, but felt that fact was outweighed by other factors in that case and left the status of news reporting in general unclear. *See supra* text accompanying notes 218-23.

329. "The distinction between 'productive' and 'unproductive' uses may be helpful in calibrating the balance, but it cannot be wholly determinative." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 455 n.40 (1984). In making this statement, the Court was reacting to the Ninth Circuit's fair use analysis, which it described as "rigidly circumscribed by a requirement that every [fair] use must be 'productive.'" *Id.*

Curiously, the Court's reluctance to endorse the concept of productivity appeared to derive from a fear that such an analysis might slight socially valuable uses that do not produce new works of authorship. As examples, the Court mentioned teachers who copy for personal study, legislators who copy articles of interest to constituents, constituents who copy to decide how to vote, and copying for the use of blind persons and hospitals. *See id.*

In this analysis, however, the Court apparently overlooked two points. First, even a presumption can be rebutted when there is good reason to do so, and favorable treatment of productive uses under the "purpose" factor would create no presumptions, only a weighing of one factor in a multifactor test. Second, favorable treatment for productive uses does not necessarily require unfavorable treatment for nonproductive uses; even in evaluation of the "purpose" factor by itself. Uses that produce no new copyrighted material might be evaluated neutrally and approved if socially useful (like those cited by the court), or perhaps disapproved if solipsistic in nature (like consumers' home copying of televised entertainment). Apparently, the Court was so enamored of symmetry that it felt presumptions must come in pairs, like the twin presumptions for profit/nonprofit use that the Court itself created. *See supra* text accompanying notes 146, 157.

330. *See Pacific & S. Co. v. Duncan*, 744 F.2d 1490, 1496 (11th Cir. 1984) (sale of videotaped news features to persons appearing in them is not fair use), *cert denied*, 471 U.S. 1004 (1985).

In *Telerate Systems, Inc. v. Caro*, 689 F. Supp. 221, 229 (S.D.N.Y. 1988), the court applied the *Sony* presumption to subscribers' unauthorized use of portions of a financial database and weighted the purpose of the use against fair use because that purpose was "private commercial gain." Yet lack of productivity would have been a better rationale for the same result. The users apparently produced no new works but used the database only to make decisions regarding their and their clients' investments. If the database subscribers had used the data to prepare financial newsletters, for example, the "purpose" factor should have favored fair use. Any negative impact of the newsletters on database revenue could then have been weighed heavily *against* fair use in considering the more important market effect. *See infra* Section V(D)(1), (3).

331. *See infra* note 420 and accompanying text.

332. The following classic quotation is from Justice Story's opinion in *Folsom v. Marsh*, commenting on an abridgement: "There must be real, substantial condensation of the

more, the other three statutory factors, plus the possibility of adducing even more,³³³ should preclude presumptions from polluting the congressional potion. Accordingly, the statute's language, legislative history, and policy argue for favoring a productive purpose in considering the "purpose and character of the use" under Section 107(1).

But are all productive purposes to be favored equally? Suppose a famous comedian makes a television parody of a famous movie and, in doing so, uses its plot, its sequence of action, and much of its dialogue.³³⁴ Surely this use is productive, for it results in a new television feature that never existed before. But should the famous comedian be excused from negotiating a license with the movie's copyright owner? Professor Gordon argues forcefully for a negative answer.³³⁵ In every case where fair use is alleged, she would require the defendant to prove market failure—i.e., to prove that the characteristics of the particular market and the particular use make negotiation of a license impracticable or economically inefficient.³³⁶

As a matter of economic theory, this market failure criterion is sound. It makes no sense to provide a fair use subsidy to a user when a license could be efficiently negotiated. Indeed, classical economic theory teaches that a free market will produce the most efficient—i.e., the most socially valuable—use of the copyrighted work.³³⁷ There-

materials, and intellectual labor and judgment bestowed thereon; and not merely the facile use of the scissors; or extracts of the essential parts, constituting the chief value of the original work." *Folsom v. Marsh*, 9 F. Cas. 342, 345 (C.C.D. Mass 1841) (citation omitted). *Cf. Maxtone-Graham v. Burtchaell*, 803 F.2d 1253, 1259-60 (2d Cir. 1986) (independent criticism and comment makes accused work more than product of "facile use of the scissors"), *cert. denied*, 107 S. Ct. 2201 (1987), *quoted infra* text accompanying note 358.

333. *See supra* text accompanying note 121.

334. These are the facts of *Benny v. Loew's*. *See Benny v. Loew's, Inc.*, 239 F.2d 532 (9th Cir. 1956), *aff'd mem. sub nom. Columbia Broadcasting Sys., Inc. v. Loew's, Inc.*, 356 U.S. 43 (1958), discussed *infra* note 438.

335. *See Gordon, supra* note 7, at 304-05 & n.221.

336. *See supra* text accompanying notes 90-91, 94. Professor Gordon describes three types of market failure. The first occurs when transaction costs (the costs of negotiating a license) exceed the benefits that would accrue to both parties from the license. *See Gordon, supra* note 7, at 288-90. The second occurs when the use produces external benefits, i.e., benefits that accrue to society at large, rather than to the user, or benefits that are intangible and cannot be monetized. In either case, the user may have no incentive to negotiate a license or to pay what the license is actually worth. *See id.* at 291-94. The third type of market failure occurs when the copyright owner has antidissemination motives, such as a desire to suppress criticism. These motives may lead the copyright owner to ask too high a price for the license, or to refuse to license altogether. Parody and criticism can cause market failure of this type if the copyright owner would rather not have the parody or criticism published at all. *See id.* at 294-98.

337. In essence, consumers in a free market will pay the most for the use that most benefits them, and the producer of that use will therefore be able to offer the highest price for the license. *See id.* at 260-61.

fore, when licensing is economically feasible, allowing a prospective user to make an "end run" around the marketplace by using the fair use doctrine would only disturb the operation of the marketplace, reduce economic efficiency, and lead to sub-optimal use. These conclusions seem valid as a matter of economic theory.

As a criterion for legal rules, however, the notion of market failure is undesirable because it is almost as slippery a concept as the notion of fair use itself. True market failure seems difficult to divine. Even when it can be recognized, it may be curable. Indeed, a finding of infringement, instead of fair use, may cause efficient market mechanisms to develop where none previously existed.³³⁸ In the bright light of hindsight, it is easy to see that both the Second Circuit in *Williams & Wilkins* and the Supreme Court in *Sony* missed this latter point and therefore made fundamental errors. In *Williams & Wilkins*, the developing market mechanism was the rise of central clearinghouses that copy scientific articles for researchers on demand and remit a portion of the fee to copyright holders.³³⁹ In *Sony*, the then-develop-

338. Professor Gordon herself recognizes that efficient market mechanisms may develop, but she appears not to appreciate the significance of that fact for legal analysis:

Whether a market failure is curable, and whether such a cure would follow upon a finding of infringement and generate substantial revenues, are difficult factual questions. They must, however, be faced This point is particularly important for new technologies, such as photocopying and videotaping. When a new use for copyrighted works becomes available to the public, market mechanisms may take time to develop. . . . In order to persuade users to [take advantage of those mechanisms], however, the copyright owners might well need a judicial declaration that the uncompensated use, previously minor and left unfettered, constituted an infringement of copyright.

Id. at 279-80 (footnotes omitted).

The perceived need to wait for a cure for market failure creates two problems. First, the difficulties of identifying "curable" market failures and, once they are identified, determining how long to wait for a cure, compound the practical uncertainty of identifying market failure in the first place. Second, nascent technologies, whose commercial futures may themselves be uncertain and unpredictable, may exacerbate both the difficulty of identifying market failure and the difficulty of predicting whether it can be cured (let alone how long the cure reasonably should take). Moreover, it is precisely these new technologies that raise many of the most troubling fair use cases.

These problems illustrate the dangers of attempting to apply abstract economic theory in the realm of practical law. Rather than attempting to define the concepts of market failure and cure—which have only indirect relevance to the copyright incentive—courts might do better to address that incentive directly. They might, for example, attempt to determine the effect of the accused use on reasonably foreseeable markets for the copyrighted work, because only that effect arguably influences the incentive to produce copyrighted works of the same kind. This is generally what Congress has instructed courts to do in Section 107(4) of the copyright act.

339. See *supra* note 82 and accompanying text. In addition to neglecting the development of clearinghouses, the majority in *Williams & Wilkins* also may have overstated the difficulty of market transactions between the parties before it. As the dissent noted, the library at each defendant institution had central management and a budget that appeared ample to cover estimated licensing fees. See *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1371

ing market mechanism is now known to virtually every American: the widespread sale and rental of prerecorded videotapes. By allowing consumers to copy television programs for free, the Supreme Court perhaps impeded the development of the then-nascent markets in which consumers now rent or buy copies of those programs.³⁴⁰ Thus in both cases, the apparent market failure was not only curable, but in fact was soon cured.³⁴¹ Yet the difficulty of predicting the cure and its timing through foresight—not to mention the difficulty of distinguishing true market failure from the user's lack of industry or reluctance to bargain—argues strongly against making market failure a legal predicate for the entire fair use calculus, as Professor Gordon suggests.³⁴² Using such a theoretical economic concept as a threshold standard for fair use would lend copyright cases all the simplicity of

(Ct. Cl. 1973) (Cowen, J., dissenting), *aff'd without opinion*, 420 U.S. 376 (1975) (per curiam); *id.* at 1384-85 (Cowen, J., dissenting) (quoting opinion of the district court in part). Thus, there was little to prevent the libraries from negotiating blanket licenses with medical journal publishers.

340. When a consumer rents or buys a videotape, part of the rental or purchase price is remitted to the producer of the program as a royalty. The only licensing agreement is between the rental or sale outlet (or the distributor that supplies it) and the copyright holder or its agent. Thus, the copyright holder's financial interest is vindicated without the need to negotiate individual licenses, thereby minimizing transaction costs.

Arguably, the opportunity to rent or buy a prerecorded tape is not the same as the opportunity to record a broadcast program off the air. Thus, perhaps the current market mechanism does not fully address the challenged behavior—unauthorized taping. Although the cost of buying a prerecorded tape may not be comparable to the cost of off-the-air recording, the cost of renting a prerecorded tape is arguably lower, at least when convenience and quality are considered. Due to the promise of high quality that commercially recorded tapes offer, as well as the convenience of not having to record for oneself and erase or skip over commercials, the renting of prerecorded tapes is probably a good substitute for self-recording.

In any event, the problem of channeling consumer behavior into legally sanctioned courses is a matter of enforcement that is not unique to videotapes. For example, unauthorized copying of microcomputer software has been widespread. See Gillin, *InfoCorp Study Finds Low Incidence of Piracy*, PC WEEK, May 14, 1985, at 137 (InfoCorp survey estimated \$168 million loss of 1984 revenue due to software piracy, while a different survey in FUTURE COMPUTING estimated that 50% of all business software was pirated, resulting in \$600 million loss of revenue).

341. Arguably these decisions did not harm the market interests of the copyright holders or the copyright incentive because market mechanisms developed despite the fair use findings. Such an argument, however, is a matter of factual conjecture—which common sense appears to refute. It seems more likely that both the clearinghouse mechanism for medical research articles and the market for prerecorded videotapes would have developed faster, and would have been used more universally, were it not for the findings of "fair use" in *Williams & Wilkins* and *Sony*, respectively.

Only a comprehensive survey of users can determine what proportion of users rely on the doctrine of fair use, and what proportion use the marketplace mechanism. Yet, whatever portion of users refuses to pay the market price, there is corresponding revenue to which the copyright owner is entitled, and which the marketplace now could efficiently supply. There can be little dispute about the existence of this portion; only its size is in doubt.

342. See *supra* text accompanying note 94.

antitrust litigation and all the certainty of a roll of the dice. In any event, the language of Section 107³⁴³ would not permit such a sweeping standard even if it were administrable.

Accordingly, it seems appropriate to consider market failure not as a threshold requirement, but as one element of the "purpose of use." Where the market currently functions to permit the challenged use for a price, the "purpose" factor should weigh against fair use, even if the type of use is distinctly productive. Where there is no viable current market, but there is evidence that one may develop, courts should reduce accordingly the favorable influence of a productive purpose on the "purpose" factor. Finally, where there appears to be no presently viable or reasonably foreseeable market mechanism, a productive purpose should tilt the "purpose" factor in favor of fair use.

Evaluation of the "purpose" factor thus should reduce to a simple two-part test. First, courts should inquire whether the accused use falls within a productive category of use, such as those specified in the statute and its legislative history.³⁴⁴ If it does not, they should weigh the "purpose" factor against fair use or give it negligible weight in the fair use calculus. If the accused use is productive, courts then should apply the second part of the test: they should determine whether there are or will be reasonably efficient market mechanisms to permit the challenged use for a price. If there are or will be such mechanisms, then courts should weigh the "purpose" factor neutrally or against fair use, notwithstanding a productive purpose. If no such mechanisms are reasonably foreseeable, then a productive purpose should weigh strongly in favor of fair use. The precise weight should depend on the present viability of the market mechanisms or the likelihood of their developing, and the certainty that they apply to the challenged use.

In applying this test, courts need not take a wooden approach. Evaluating productivity should involve more than simply finding whether a use falls within a favored category. To perform the sensitive balancing that Congress intended, courts should evaluate each use carefully and place it on a spectrum of productivity in light of copyright policy. For example, courts should rate a Hollywood gossip column directed at the movie industry less highly than an article on presidential politics in *The Washington Post*, not because of judicial aversion to gossip,³⁴⁵ but because the gossip column has a smaller

343. See *supra* text accompanying note 118.

344. See *supra* text accompanying notes 311-12.

345. Judicial reluctance to base copyright judgments on the comparative merit of the

audience and addresses issues of lesser national concern. The gossip column's smaller audience evokes a weaker public interest in wide dissemination, and its humbler focus lies farther from the core value of freedom of speech that the fair use doctrine helps to protect.³⁴⁶

In determining whether a work falls within a favored "productive" category, courts may consider its originality and the value that the user has added to the underlying work. Considering these aspects of the use may help distinguish veiled attempts to exploit the commercial value of the underlying work directly from genuine scholarship, criticism, parody, and the like.³⁴⁷ However, deeper scrutiny of the user's originality under the "purpose" factor is inappropriate for two reasons. First, such scrutiny is more appropriate in applying the "market effect" factor of the fair use calculus. If the accused work's only effect on the potential market for the underlying work derives from original material added by the user, there is no damnable market effect.³⁴⁸ Second, certain uses that are inherently lacking in originality are nevertheless favored in fair use analysis. For example, reporters are not paid to make up news. If a speech or publication is newsworthy, they have little choice but to summarize, paraphrase, or quote it verbatim in order to convey its content. To the extent the expression employed makes the address or publication newsworthy,

contents of works of authorship is both well established and justified by policy. *See infra* note 367 and accompanying text. Yet this does not require judges to ignore the relative importance of various classes of works to the advancement of human knowledge and public discourse. It is one thing to compare two works of art, for example, and to provide greater copyright protection for the "better" one, and quite another to recognize that certain works and certain media more often implicate the fundamental values of progress and free expression that the Copyright Clause promotes and the first amendment protects.

346. Although the dichotomy between idea and expression plays the primary role in protecting first amendment values from erosion under copyright law, *see supra* notes 40, 54 and accompanying text, there is no reason why the fair use doctrine cannot play a supporting role. *See Note, supra* note 54, at 327-28. Such a role should follow from the congruence of first amendment values with the important copyright policy of encouraging wide dissemination and use of works of authorship once created.

347. Although it may be difficult for courts to tell the difference between genuinely favored uses and the merely colorable, there is no escaping the task. The job of separating the genuinely creative use of an existing work from the sham is as old as fair use doctrine. In his seminal decision, Justice Story described the process, in the field of literary criticism, as follows:

[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 the purposes of fair and reasonable criticism. On the other hand, it is as clear, that if 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. 342, 344-45 (C.C.D. Mass. 1841).

348. *See infra* text accompanying notes 418-24.

reporters should have license for a certain amount of irreducible "copying." To permit less would require the news media to resort to second-best expression.

The decision of the Second Circuit in *Maxtone-Graham v. Burtchaell*³⁴⁹ illustrates proper application of these principles. There the plaintiff, Maxtone-Graham, had written a book entitled *Pregnant by Mistake*.³⁵⁰ This book consisted of edited interviews in which women discussed their unwanted pregnancies and their decisions whether or not to have an abortion.³⁵¹ The book contained no commentary on the interviews. The defendant, Burtchaell, a Catholic priest and professor of theology, wrote a book of essays called *Rachael Weeping*,³⁵² in which the title essay was intended to "critique the published accounts of 'abortion veterans.'"³⁵³ In that essay, Burtchaell quoted liberally from the interviews in *Pregnant by Mistake*.³⁵⁴ Some of his quotations were inaccurate, and some lacked proper attribution of source.³⁵⁵ Based on undisputed facts, the district court granted summary judgment for the defendant on the issue of fair use,³⁵⁶ and the Second Circuit affirmed.³⁵⁷

Evaluating the "purpose and character of the use," the Second Circuit quickly reached the heart of the matter:

The fair use provision of the Copyright Act expressly mentions "criticism" and "comment" as favored under the statute, and we think it indisputable that Burtchaell employed the material from *Pregnant by Mistake* for just such purposes. Certainly, *Rachael Weeping* is not merely the product of the "facile use of the scissors," to borrow Justice Story's phrase.³⁵⁸

To demonstrate that the defendant's claim of "criticism" and "commentary" was far from a sham, the Second Circuit noted that Burtchaell had "applied substantial intellectual labor to the verbatim quotations, continually offering his own insights and opinions."³⁵⁹

The Second Circuit then addressed two arguments of the plaintiff. The first argument was that inaccuracies in Burtchaell's quota-

349. 803 F.2d 1253 (2d Cir. 1986), *cert denied*, 107 S. Ct. 2201 (1987).

350. K. MAXTONE-GRAHAM, *PREGNANT BY MISTAKE* (1973).

351. *See id.*

352. J. BURTCHAELL, *RACHAEL WEeping: THE CASE AGAINST ABORTION* (1982).

353. *Burtchaell*, 803 F.2d at 1256.

354. *See id.* at 1256-57.

355. *See id.* at 1256, 1261.

356. *See Maxtone-Graham v. Burtchaell*, 631 F. Supp. 1432, 1438 (S.D.N.Y.), *aff'd*, 803 F.2d 1253 (2d Cir. 1986), *cert. denied*, 107 S. Ct. 2201 (1987).

357. *See Burtchaell*, 803 F.2d at 1255, 1265.

358. *Id.* at 1260. For Justice Story's phrasing, see *supra* note 332.

359. 803 F.2d at 1260.

tions belied his scholarly purpose. Although the Second Circuit agreed that many of the plaintiff's charges were "well-founded," and that the errors were worthy of consideration in fair use analysis,³⁶⁰ it concluded that the errors did not outweigh Burtchaell's scholarly intent. It refused to make the difficult distinction between a "scholarly" and a "dogmatic" essay and declined to give much weight to errors that apparently were inadvertent.³⁶¹

The plaintiff's second argument was that the "purpose" factor should weigh against a finding of fair use because the use was commercial.³⁶² The court, however, rejected the "suggestion that any income-producing use is unfair virtually by definition."³⁶³ After analyzing the Supreme Court's language in *Sony* and *Nation Enterprises* and quoting from the House Report, it concluded that the Supreme Court had not intended to change the law on the subject or to "attach heightened significance to the element of commerciality."³⁶⁴ The Second Circuit reasoned that a strict dichotomy between commercial and nonprofit uses would "obliterate" the doctrine of fair use because most uses are commercial.³⁶⁵ Noting that "[t]he commercial nature of a use is a matter of degree, not an absolute," it ruled that the educational aspects of the defendant's work outweighed the commercial ones.³⁶⁶

In *Burtchaell*, the Second Circuit announced a standard for inaccuracies in quotations that would give them little weight in fair use analysis, unless they are so egregious as to amount to deliberate misrepresentation of the quoted work. This lenient standard appears to be substantially correct. If a use on its face appears to lie within a favored category for fair use purposes, such as criticism or commentary, courts should be reluctant to evaluate the substantive merit or

360. *See id.* at 1261.

361. *See id.*

362. *See id.* at 1262.

363. *Id.*

364. *Id.*

365. *See id.* The Second Circuit's refusal to attach "heightened significance" to commerciality appears to be a correct interpretation of the doctrine of fair use. It is questionable, however, whether it is a fair interpretation of the Supreme Court's decisions in *Sony* and *Nation Enterprises*. *See supra* text accompanying notes 145-51, 156-59, 222.

At any rate, the Second Circuit did not rely entirely on its aggressive interpretation of Supreme Court precedent to support its decision. Noting that the defendant's work, which had sold 6,000 copies, was "hardly a commercial blockbuster," the Second Circuit concluded its discussion of the "purpose" factor as follows: "Of course, even a minimal level of commercial use weighs against a finding of fair use, but whether it affects the ultimate determination depends on the totality of factors." *Burtchaell*, 803 F.2d at 1262. With this weak ending, the Second Circuit no doubt protected itself from possible reversal, but it also undercut its implicit criticism of the Supreme Court's presumption.

366. *Id.*

content of the use—a task for which the judiciary has long and properly professed incompetence.³⁶⁷ Moreover, the substantive merit of a copyrighted work has little to do with its legal protection. Burtchae's work may have been poor scholarship, but it was scholarship nevertheless.³⁶⁸

As the Second Circuit's opinion in *Burtchae* implies, however, inquiry into substantive content may be appropriate in two cases. First, a claim of favored status may be only colorable, disguising the user's real purpose of exploiting the underlying work commercially. Second, the user may make substantial errors in quoting or otherwise portraying the underlying work that misrepresent that work to the public. In both cases, a limited investigation of substantive content ought to be permissible because the applicable standard is not the judge's abstract value system, but a comparison of the two works themselves. In the former case, the court should compare the borrowed portions of the underlying work with the underlying work itself in light of their respective market impacts. If the accused work fulfills significant demand for the original, and if its ability to do so seems to derive from the portions it has borrowed, a claim that the user's work is comment or criticism may be viewed with skepticism.³⁶⁹ In the second case, the court should compare what the underlying work

367. See *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251 (1903). In *Bleistein*, the Supreme Court rejected a claim that a circus poster was not eligible for copyright protection because it did not rise to the level of "fine art." Writing for the majority, Justice Holmes reasoned:

Certainly works are not the less connected with the fine arts because their pictorial quality attracts the crowd and therefore gives them a real use—if use means to increase trade and to help to make money. . . .

It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of pictorial illustrations, outside of the narrowest and most obvious limits.

Id. at 251.

This classic passage made two points. First, any theory of copyright that turns on the substantive merit of creative works would be dangerous because it would encourage censorship and restrict the free flow of expression, thus undermining a vital copyright policy. Second, it is the marketplace, not any select group (whether judges or others), that determines the value of a creative work and thereby the reward to its creator. These principles are no less fundamental to copyright today than they were in 1903. See *Esquire, Inc. v. Ringer*, 591 F.2d 796, 805 (D.C. Cir. 1978) ("Neither the Constitution nor the Copyright Act authorizes the Copyright Office or the federal judiciary to serve as arbiters of national taste . . ."), *cert. denied*, 440 U.S. 908 (1979); see also *Jartech, Inc. v. Clancy*, 666 F.2d 403, 406 (9th Cir.) (obscene content irrelevant to copyright protection), *cert. denied*, 459 U.S. 826 (1982); *Mitchell Bros. Film Group v. Cinema Adult Theater*, 604 F.2d 852, 854-58 (5th Cir. 1979) (same), *cert. denied*, 445 U.S. 917 (1980); *Belcher v. Tarbox*, 486 F.2d 1087, 1088 (9th Cir. 1973) (fraudulent nature of work irrelevant to copyright protection).

368. See *supra* text accompanying notes 358-61

369. The analysis, however, should focus on the plaintiff's loss of potential sales; success of

actually says with what the user's work says it says—a task that requires only sensitivity to the English language.³⁷⁰ In either case, the comparison places less strain on the competence of the judiciary, and is less an invitation to apply personal standards of aesthetics and morality, than a determination of creative or aesthetic merit.

Yet even in these two cases, courts' examination of content should be restrained. In the case of a merely colorable claim of "productive" use, courts would have to repeat much of the analysis described above in considering the market effect. Allowing market considerations to dominate the "purpose" factor, as well as the critical "market effect" factor might give them more weight than Congress apparently intended. Furthermore, accused works should not be scrutinized too closely for errors and inaccuracies. Unless a user of an underlying work has some room for opinion and original interpretation, freedom of expression will suffer. Courts should weigh the "purpose" factor against fair use only if the errors and inaccuracies amount to a substantial distortion of the underlying work, and then only if the distortion implicates copyright policy. The test, however, should be objective. It should not depend upon the user's state of mind, which has no impact on the market for or public perception of the underlying work.³⁷¹

As for the commercial/nonprofit question, the Second Circuit's

the defendant's work alone may show only the popularity of original matter that the user has added. *See infra* text accompanying notes 418-19.

370. This task may become more difficult for nonverbal creative works, such as movies, music, and fine art. Therefore, the standard perhaps should show even more tolerance for error in describing those works. Although it may be clear that a painting is red even though a critic says it is blue, if the critic says that a piece of abstract, nonrepresentational art reminds her of cow dung, that opinion is hardly susceptible to objective verification.

371. In this regard, the Second Circuit's approach seems inappropriate. It would ignore misrepresentations unless they are "so deliberate, and so misrepresentative of the original work that no reasonable person could find them to be the product of mere carelessness." *Maxtone-Graham v. Burtchaell*, 803 F.2d 1253, 1261 (2d Cir. 1986), *cert denied*, 107 S. Ct. 2201 (1987). Thus, it would emphasize the user's state of mind and culpability by requiring more than mere negligence.

This emphasis on intent appears misplaced because nothing of importance in copyright law turns on the user's state of mind. Both the all-important market impact and the commercial success of the user's work depend on the impressions of the public, not of the user of the underlying work. More important, in practice intent is nearly always proved by circumstantial evidence, and such proof requires evidence of the degree and effect of the distortion. Thus, it seems more appropriate to emphasize the likely effect of the distortions—their likely impact on ordinary, reasonable people reading or using the secondary work.

Only if two conditions are met should distortions tilt the "purpose" factor against fair use. First, the distortions must be so great that they are likely to affect materially the impression of the underlying work in the mind of an ordinary reader of the secondary work. Second, the mistaken impressions must have some adverse effect on the market for the underlying work. Allowing lesser distortions to weigh against fair use would disadvantage criticism and thus

approach appears to be correct. Whether a use has a commercial motive should make little difference in analyzing the "purpose" factor, or any other factor.³⁷² Although the Second Circuit's opinion to this effect may have misread Supreme Court precedent,³⁷³ in light of the weak support for the Court's presumption it can hardly be viewed as erroneous.³⁷⁴

B. *The Nature of the Copyrighted Work*

Courts generally agree that analysis of the "nature" factor requires placing the underlying work on the spectrum from fact to fancy.³⁷⁵ At one extreme lie so-called fact works, such as directories

contravene the principle that even a strong market impact due to criticism alone does not belie fair use. See *infra* Section V(D)(4).

It bears emphasizing that what is at stake here is not the ultimate question of fair use *vel non*, but a single factor in a multifactor analysis. A finding that inaccuracies are significant need not skew the entire fair use calculus. Under some circumstances, however, a finding of significant distortion should influence the outcome. For example, use of a preexisting work to rebut a personal or political attack is favored in applying the "purpose" factor. See *supra* note 326. However, if the user materially distorts or misrepresents the preexisting work in making the rebuttal, and if that distortion reduces the potential market for the original, the distortion should cancel the ordinarily favorable treatment accorded a rebuttal, and perhaps should tilt the "purpose" factor against fair use.

372. See *supra* Section IV(A).

373. See *supra* note 365.

374. For this reason, one hopes the Supreme Court will soon abjure or limit this presumption. See *supra* note 285.

375. See, e.g., *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 563 (1985) (dictum) (citing Gorman, *Fact or Fancy? The Implications for Copyright*, 29 J. COPYRIGHT SOC'Y U.S.A. 560, 561 (1982)); *id.* at 594 (Brennan, J., dissenting) (citing 3 M. NIMMER & D. NIMMER, *NIMMER ON COPYRIGHT*, § 13.05[A][2], at 13-73 to -74 (1984)); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 455 n.40 (1984) (dictum) ("Copying a news broadcast may have a stronger claim to fair use than copying a motion picture."); *United Tel. Co. of Mo. v. Johnson Pub. Co.*, 855 F.2d 604, 609 (8th Cir. 1988) (citing *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985)); *Pacific & S. Co. v. Duncan*, 744 F.2d 1490, 1497 (11th Cir. 1984), *cert. denied*, 471 U.S. 1004 (1985); *Consumers Union of United States v. General Signal Corp.*, 724 F.2d 1044, 1049 (2d Cir.), *cert. denied*, 469 U.S. 823 (1984). *But see* *Financial Information, Inc. v. Moody's Investors Serv., Inc.*, 751 F.2d 501, 509 (2d Cir. 1984), *cert. denied*, 108 S. Ct. 79 (1987) (factual nature of work used given little weight in evaluating commercial use for same factual purpose); *Telerate Sys., Inc. v. Caro*, 689 F. Supp. 221, 229 (S.D.N.Y. 1988) (refusing to weigh factual nature of financial database in favor of fair use due to plaintiff's substantial investment of time and labor in it).

The rationale of *Telerate Systems*—that the factual nature of databases does not weigh in favor of their fair use when they are expensive to create—runs counter to the policy of encouraging a free flow of facts and ideas, which underlies fair use doctrine and the first amendment. The predominant weighting of the market effect adequately protects both the database owner's pecuniary interest and the corresponding incentive for creativity. See *infra* Section V(D)(3). Therefore, the mere fact that a work is difficult or expensive to create should not determine its "nature" for fair use purposes.

Justice O'Connor's majority opinion in *Nation Enterprises* may limit the effect of the fact/fancy spectrum in fair use analysis by allowing greater leeway to users of facts only when precise quotation is necessary to convey the facts accurately. See *Fisher*, *supra* note 58, at

and maps. They may be used somewhat liberally because copyright does not protect facts or ideas,³⁷⁶ and because certain facts are susceptible of only limited means of expression.³⁷⁷ At the other extreme lie creative works, such as poetry, novels, and the fine arts. They are less susceptible to fair use because their expression is arbitrary and presumably not needed to convey a fact or idea.

Although courts do distinguish between fact works and creative works, in truth there is no precise dividing line. Copyrighted works occupy a continuous spectrum ranging from telephone directories at one extreme to abstract fine art at the other. The effect and weight of the "nature" factor depends largely upon where the underlying work

1683-84. Professor Fisher apparently approves of this limitation, for he argues both that precise quotation is seldom necessary to convey facts and that factual works should not be assumed to contribute more than "commentary or fiction" to public debate. See *id.* at 1683-84 & n.114, 1770 n.481.

This view, however, appears flawed for three reasons. First, circumstances requiring close duplication of expression to convey facts may be more common than at first appears. See *infra* text accompanying notes 379-402. Second, copyright law protects against appropriation of the structure, sequence, and organization of a work, as well as against verbatim copying. See *Whelan Assocs., Inc. v. Jaslow Dental Laboratory, Inc.*, 797 F.2d 1222, 1236-37, 1248 (3d Cir. 1986) (extending well-established principle to computer programs), *cert. denied*, 107 S. Ct. 877 (1987); 3 M. NIMMER & D. NIMMER, *supra* note 47, § 13.03[A][1], at 13-20.1 to -20.2 ("comprehensive nonliteral similarity" as a source of copyright infringement). Copyright might prevent the author of a work of fiction from borrowing sequences of incidents in a plot, see *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 54-56 (2d Cir.), *cert. denied*, 298 U.S. 669 (1936), but surely its grip on the sequence and organization of facts should be weaker. An historian, for example, should have greater freedom to borrow the chronologically or politically relevant order of historical events used by her predecessors than a novelist to borrow the sequence of incidents in a dramatic plot.

Finally, promoting robust public debate is not the only function of the fact/fancy spectrum in fair use analysis. An equally fundamental purpose is preserving the distinction between patents and copyrights, as reflected in the dichotomy between facts and ideas, which copyright does not protect, and an author's expression, which it does. See *supra* note 41 and text accompanying notes 39-47.

It would be inconceivable, for example, for the Court in *Nation Enterprises* to have found the use of 300 words out of 200,000 unfair if the work used had been a directory of manufacturers instead of President Ford's autobiography. Indeed, at one extreme end, the fact/fancy spectrum simply reflects the common sense notion that a collection of facts, unprotectible by themselves, has nothing intrinsic that copyright can protect other than its selection and arrangement, and that therefore an action for infringement of that selection and arrangement must require substantial and close copying if free use of the underlying facts is not to be curtailed. Surely the "Progress of Science" mentioned in the Copyright Clause demands more leeway for a chemist who uses unpublished chemical abstracts in his published research than for a biographer borrowing from a reclusive author's unpublished letters. Cf. *Salinger v. Random House, Inc.*, 811 F.2d 90, 98-100 (2d Cir. 1987), *cert. denied*, 108 S. Ct. 213 (1987).

376. See *supra* text accompanying notes 39-47.

377. See *Landsberg v. Scrabble Crossword Game Players, Inc.*, 736 F.2d 485, 488 (9th Cir.), *cert. denied*, 469 U.S. 1037 (1984) (unauthorized book of "Scrabble" game strategy makes fair use of game's copyrighted board and rules); see also *supra* note 54 (copyright vanishes when means of expression of idea are limited because idea and expression merge).

falls in that spectrum.³⁷⁸

Yet this relatively simple notion is not without qualification. In some cases, the original author's mode of expression may in itself be a fact. This was undoubtedly the case with former President Ford's autobiography, as the dissent in *Nation Enterprises* argued.³⁷⁹ The very publication of the work was a major news event because it recounted then-recent history of considerable public importance. Moreover, Ford was President and an important actor in the events portrayed in his book, so his attitudes and perceptions of those events, as reflected in his expression, also were newsworthy. For example, given Ford's position as Nixon's successor, and as the President who pardoned Nixon, it undoubtedly will make a difference in the judgment of history that Ford referred to the Watergate tapes not as potentially incriminating evidence, but as a "smoking gun."³⁸⁰ This phrase of Ford's became fact, not through any merger of expression

378. The *Nation Enterprises* Court, perhaps inadvertently, illustrated the relativity of the fact/fiction distinction. Although it recognized the importance of the fact/fiction spectrum and its application to Ford's autobiography—a factual work containing significant news—see *Nation Enters.*, 471 U.S. at 563—it did not consider the autobiography as a whole a "fact work." Instead, the Court saw the work as containing "subjective descriptions and portraits of public figures whose power lies in the author's individualized expression." *Id.* Because Navasky had taken from those precise descriptions, his borrowing "exceed[ed] that necessary to disseminate the facts." *Id.* at 563-64.

A fundamentally factual work like the autobiography of a former president may contain significant elements of creative expression. Certainly it lies more on the creative end of the spectrum than a telephone directory or a data base of chemical abstracts. One may doubt, however, whether a user's taking of expressive portions of such a work transmutes it into a creative or fanciful work for purposes of applying the "nature of the work" factor. In finding such a transmutation, the *Nation Enterprises* Court seemed to confuse the "amount taken" with the "nature of the work"—contrary to the intent of Congress that each factor be considered and weighed separately. Treated separately, the nature of Ford's work should have weighed in favor of fair use because the work was largely factual and contained information of great public importance.

379. The dissent explained:

With respect to the motivation for the pardon [of former President Nixon by Mr. Ford] and the insights into the psyche of the fallen President, for example, Mr. Ford's reflections and perceptions are so laden with emotion and deeply personal value judgments that full understanding is immeasurably enhanced by reproducing a limited portion of Mr. Ford's own words. The importance of the work, after all, lies not only in revelation of previously unknown fact but also in revelation of the thoughts, ideas, motivations, and fears of two Presidents at a critical moment in our national history. Thus, while the question is not easily resolved, it is difficult to say that the use of the six quotations [cited by the majority] was gratuitous in relation to the news reporting purpose.

Nation Enters., 471 U.S. at 601 (Brennan, J., dissenting).

380. In an appendix to its opinion, the *Nation Enterprises* Court republished the entire Navasky article, with verbatim excerpts from the Ford manuscript in boldface and Ford's corresponding language in footnote. See *id.* at 570-79. For Ford's "smoking gun" language, see *id.* at 571 n.2.

and idea, but because the manner and vividness of the expression were themselves historical facts of considerable importance.³⁸¹

The argument that expression itself is a fact or "news" should not be confused with the doctrine of merger of idea and expression.³⁸² Under the "merger" doctrine, copyright does not protect the expression of an idea when there are only a limited number of ways to express it. In contrast, the "expression as fact" argument may apply when there are many ways to express the same idea, but a particular person's choice of one of those ways is itself a newsworthy event.³⁸³ The argument is analogous to the rule of evidentiary law for verbal acts, which admits evidence of statements made outside a courtroom as non-hearsay when the statements themselves are operative facts.³⁸⁴

Because it is a rare fact or idea that cannot be expressed verbally in more than a few ways,³⁸⁵ the merger doctrine may be more applicable to nonverbal works such as pictures, in which the content and expression may be inextricably intertwined.³⁸⁶ Indeed, certain visual works are valuable primarily for their information content. For example, consider the famous Zapruder film of President Kennedy's assassination at issue in *Time Inc. v. Bernard Geis Associates*.³⁸⁷ To be sure, this film contained the usual indicia of minimal creativity qualifying it for copyright protection, such as the author's choice of camera, film, lens, and location.³⁸⁸ But it was not its "expression" that made the film priceless. Rather, it was the film's unique ability to convey accurate factual information about an event so shocking and tragic that it strained the memory of all who observed it. Thus it is not surprising that the *Bernard Geis* court found use of frames from the film fair, relying in part on the "public interest in having the fullest information available" about the assassination.³⁸⁹

381. Even the *Nation Enterprises* majority acknowledged as much. *See id.* at 563. The majority apparently felt, however, that the remainder of Navasky's borrowings did not rise to the same level of importance. *See id.* at 563-64.

382. *See supra* note 54.

383. *But see* Note, *supra* note 54, at 328-35 (arguing the doctrines are the same).

384. For example, the "verbal acts" doctrine may admit second-hand reports of a threat against a federal judge, see *United States v. Jones*, 663 F.2d 567, 571 (5th Cir. Unit B Dec. 1981), or of fraudulent telephone calls to obtain the credit card numbers of victims of credit card fraud. *See United States v. Saavedra*, 684 F.2d 1293, 1298 (9th Cir. 1982).

385. *See Iowa State Univ. Research Found., Inc. v. American Broadcasting Cos.*, 621 F.2d 57, 61 n.6 (2d Cir. 1980).

386. *See* Note, *supra* note 54, at 330-31 (discussing *Time Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130 (S.D.N.Y. 1968)) (verbal descriptions of frames from the Zapruder film of Kennedy assassination inadequate). *But see id.* at 331 (arguing same considerations may apply to written works such as historical documents).

387. *See Time Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130 (S.D.N.Y. 1968).

388. *See id.* at 143.

389. *Id.* at 146. Although the court adverted to the four statutory fair use factors in an

Although the Zapruder film is a shining example of the predominance of information value in visual expression, it is not alone. Professor Nimmer viewed photographs of the aftermath of the My Lai massacre in Vietnam in the same light: "No amount of words describing the 'idea' of the massacre could substitute for the public insight gained through the photographs."³⁹⁰ Visual works such as these often should be placed at the factual end of the fact-fancy spectrum, even if alternative means of expression are possible in theory, because their market value depends not on their form of expression, but on the factual information they convey.

On the other hand, not all visual expression belongs at the factual end of the spectrum. In *Roy Export Co. Establishment of Vaduz, Liechtenstein v. Columbia Broadcasting System, Inc.*,³⁹¹ the defendant, CBS, had made an unauthorized collection of excerpts from Charlie Chaplin's films and had broadcast the collection as a "retrospective" after his death. Arguing fair use, CBS said the collection was newsworthy because it showed the great talent that had been "exiled" during the communist "witch-hunts" of the McCarthy era.³⁹² The court, however, rejected this argument, both in the context of fair use and as a separate first amendment defense.³⁹³ It reasoned as follows: "Under CBS' view, the more successful an artist is, the less he can protect or demand payment for the use of his work. Yet the copyright law bestows a monopoly right on the copyright owner to encourage artistic activity, and would be undermined by CBS' bootstrapping argument."³⁹⁴

Certainly a doctrine that classified artistic genius as news would undermine the copyright incentive. Yet there is a better basis on which to distinguish cases like *Bernard Geis* from those like *Roy Export*: the Zapruder film depicted real events, while the Chaplin films were the product of creative fancy. There may be rare cases in which a work of fiction is news, but courts should be wary of such claims, lest an artist's very prominence be used to defeat her copy-

early version of the then-pending copyright revision bill, it did not apply them in any systematic manner. *See id.* at 145. Its opinion, however, can fairly be read as emphasizing the purpose of the use—publicizing an alternative to the official view of President Kennedy's death. *See id.* at 146.

390. 1 M. NIMMER & D. NIMMER, *supra* note 39, § 1.10[C], at 1-83.

391. 503 F. Supp. 1137 (S.D.N.Y. 1980), *aff'd*, 672 F.2d 1095 (2d Cir.), *cert. denied*, 459 U.S. 826 (1982). Although this case was decided under the Copyright Act of 1909, the court applied the four fair use factors from then-pending Section 107, reasoning that they were not intended to change the law. *See id.* at 1143 & n.4.

392. *See id.* at 1144, 1147-48.

393. *See id.* at 1147-48.

394. *Id.* at 1144.

right. Where the work depicts real people and real events, however, a claim that it is newsworthy deserves careful attention. Indeed, to the extent that the factual nature of a work determines whether a claim of news reporting is more than colorable, it may influence the evaluation of the "purpose" factor, as well as the "nature of the copyrighted work."³⁹⁵

Not every visual work will display as much predominance of information over expression as those in *Bernard Geis* or *Nation Enterprises*, but courts nevertheless should recognize the phenomenon. Even verbal messages can reflect it. For example, consider a major company's announcement of a product recall, or of a delay in introducing a previously announced new product. Business executives, advertising personnel, and lawyers pore over the announcement, and every word is freighted with meaning. Often only direct quotation can properly convey its hidden nuances and studied ambiguity. Although the nature of such a message is of course only one factor in the fair use calculus, it should weigh in favor of fair use.

A case in point is *Consumers Union of United States, Inc. v. General Signal Corp.*³⁹⁶ There, the Second Circuit vacated an injunction against further broadcasting of a television commercial for Regina vacuum cleaners, which had quoted favorable results of testing by *Consumer Reports* magazine.³⁹⁷ On the way to finding this use fair, the court addressed the nature of the copyrighted work, namely, *Consumer Reports'* copyrighted test results.³⁹⁸ It noted that *Consumer Reports* was "primarily informational rather than creative" and therefore subject to a greater scope of fair use.³⁹⁹ In apparent response to the plaintiff's argument that Regina had used the test results verbatim, the court reasoned that "Regina use[d] CU's words in the interest of accuracy, not piracy. Where an evaluation or description is being made, copying the exact words may be the only valid way precisely to report the evaluation."⁴⁰⁰ Accordingly, the court concluded that the

395. See *supra* text accompanying notes 368-71.

396. 724 F.2d 1044 (2d Cir. 1983), *cert. denied*, 469 U.S. 823 (1984).

397. See *id.* at 1046-48, 1055.

398. See *id.* at 1049-50. In order to maintain its independence and avoid even the appearance of commercial taint, *Consumer Reports* had a published policy of discouraging commercial use of its product test results. See *id.* at 1046, 1050. In violation of this policy, the announcer in the Regina advertisement had described a particular Regina model as "'the only lightweight that Consumer Reports says, Quote, was an adequate substitute for a full-sized vacuum.'" *Id.* at 1047 (quoting voice-over announcer's copy of Regina commercial).

399. *Id.* at 1049.

400. *Id.* at 1049-50. The court cited *Morrissey v. Procter & Gamble Co.* to support this proposition. See *id.* at 1050 (citing *Morrissey v. Procter & Gamble Co.*, 379 F.2d 675, 678-79 (1st Cir. 1967) (one of the sources of the merger doctrine)). It also cited its own opinion in *Nation Enterprises* for the proposition that "where accurate reporting requires use of verbatim

“nature” factor argued for fair use.⁴⁰¹ A similar result should apply in any case in which the exact wording of a copyrighted work has significant legal, business, social, or political significance.⁴⁰²

Thus applying the “nature” factor in general involves two inquiries. First, the court must determine the place of the copyrighted work on the spectrum between fact and fancy. For visual works, this may involve comparing their informational to their creative value and exploring whether they depict real events. Normally, this inquiry will resolve the issue: the “nature” factor will weigh more heavily in favor of fair use the closer the copyrighted work lies to the fact end of the spectrum. If the work lies near the “fancy” end of the spectrum, however, the court should make a second inquiry. It should determine whether the author’s particular manner of expression in the copyrighted work is itself a fact, due to the significance or timing of the work or the expression, the nature and purpose of the work, or simply the importance of the author. If the expression has significance as a “fact” or news, then the court should determine whether the user took more of it than was reasonably necessary to convey the “fact” or the newsworthy aspects of the expression. That determination, however, properly rests under the rubric of the third statutory factor, the “amount taken.”

C. *The Amount Taken*

Although the “amount taken” factor may seem straightforward, it has three important subtleties. First, its analysis does not rest on simple quantitative measurement but requires an examination of the qualitative importance of the material borrowed and a careful balancing of both its quantitative and qualitative aspects. Second, because

quotations, fair use will be liberally applied.” *Consumers Union*, 724 F.2d at 1050 (citing *Harper & Row, Publishers, Inc. v. Nation Enters.*, 723 F.2d 195 (2d Cir. 1983), *rev’d*, 471 U.S. 539 (1985)). Although the Supreme Court reversed the Second Circuit’s decision in *Nation Enterprises*, it seemed to disagree not with the principle that the expression can be a fact, but with the Second Circuit’s application of that principle to the specific excerpts taken from the Ford autobiography. See *supra* note 378.

401. See *Consumers Union*, 724 F.2d at 1049-50.

402. Professor Fisher argues that *Consumers Union* was wrongly decided because “the loss of revenue to publishers of consumer magazines caused by legalizing the defendant’s behavior could well be enormous.” Fisher, *supra* note 58, at 1741. However, if the risk of such enormous losses indeed exists, it undoubtedly owes more to the defendant’s broadcast of the test results than to its use of brief excerpts of the language in which the plaintiff expressed those results. There seems to be nothing that copyright law can or should do about such losses; it is powerless to preclude the reporting of test results because it does not protect facts. See *supra* text accompanying notes 39-43. Because defendants like Regina may report test results in their own words, it seems reasonable to allow them to borrow brief excerpts of precise language in order to protect themselves against claims of distortion or false advertising.

quantitative measurement is simple compared to weighing intangibles, intuition may lead lawyers, judges, and lay people to overemphasize its importance and indeed the importance of the "amount taken" factor as a whole. Finally, the "amount taken" factor has a close relationship with other factors, principally the "purpose" and "market effect" factors. There is thus a strong temptation to confuse this factor with others. The field of parody helps illustrate the relationship of the "amount taken" factor to its brethren.

1. QUANTITATIVE AND QUALITATIVE FACTORS

Fair use analysis requires examination of the quality of what is taken as well as its quantity.⁴⁰³ If a user takes the "heart" of a copyrighted work, as was the case in *Nation Enterprises*,⁴⁰⁴ it matters little that the numerical percentage taken was small. But what constitutes the "heart" of a copyrighted work, and by what standard is it to be determined?

The cases appear to apply a standard of intuition and judicial insight, without particular articulation. The dissenters in *Nation Enterprises*, in rare agreement with the majority, said the portions taken were from "the most poignant expression in the Ford manuscript."⁴⁰⁵ Similarly, in *Salinger v. Random House, Inc.*,⁴⁰⁶ the Second Circuit called portions of a book taken in part from unpublished letters of the famous author J.D. Salinger what "make the book worth reading."⁴⁰⁷ These descriptions are hardly standards that lend themselves to consistent and justifiable judicial application.⁴⁰⁸

A suitable standard for the "amount taken" perhaps may be derived from the policy underlying fair use analysis. Succinctly

403. All nine Justices on the *Nation Enterprises* Court agreed on this point. See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 564-66 (1985); *id.* at 598 (Brennan, J., dissenting); see also *Salinger v. Random House, Inc.*, 811 F.2d 90, 98 (2d Cir.) ("The taking is significant not only from a quantitative standpoint but from a qualitative one as well."), *cert. denied*, 108 S. Ct. 213 (1987); *Telerate Sys., Inc. v. Caro*, 689 F. Supp. 221, 229 (S.D.N.Y. 2988) (copying of a few pages at a time from financial database is qualitatively substantial, although quantitatively insubstantial).

404. See *supra* text accompanying note 228.

405. See *Nation Enters.*, 471 U.S. at 598 (Brennan, J., dissenting).

406. 811 F.2d 90 (2d Cir.), *cert. denied*, 108 S. Ct. 213 (1987).

407. See *id.* at 99.

408. In focusing on what made the *user's* work worth reading, the *Salinger* court also confused the "amount taken" factor with the market effect. See *infra* text accompanying notes 419-24.

The Eighth Circuit also referred to portions taken from a telephone directory as its "heart." See *United Tel. Co. of Mo. v. Johnson Pub. Co.*, 855 F.2d 604, 610 (8th Cir. 1988). However, it articulated a reason for doing so: the defendant had taken all the new listings, but for which there would be no need for a new directory. See *id.*

stated, that policy is to permit and encourage reasonable use of copyrighted works without killing the incentive to produce them.⁴⁰⁹ In light of that policy, courts might focus on the market impact of the borrowed portions of the underlying copyrighted work. In other words, they might ask how much importance the potential audience for the underlying work would attach to the portions of that work that its users borrowed.⁴¹⁰ Under this standard, courts could admit evidence of the audience impact of the borrowed portions, including surveys of appropriate potential audiences and testimony of experts familiar with the type of work and the medium of dissemination.⁴¹¹ Although evidence of this sort need not be adduced in every case, and in some cases might be impossible to obtain, its availability might reduce the need to resort to unbridled judicial intuition.

Whether the test for amount taken is qualitative, quantitative, or both, a second basic question arises: to which work, the underlying work or the accused work, is the amount taken to be compared? In general, infringement does not depend on the amount of the accused work that has been borrowed.⁴¹² In the words of Judge Learned Hand, quoted by the majority in *Nation Enterprises*, "no plagiarist can excuse the wrong by showing how much of his work he did not pirate."⁴¹³ This longstanding principle of copyright law is reflected in the statutory language, which refers to "the amount and substantiality of the portion used in relation to the copyrighted work as a whole."⁴¹⁴ Without twisting the English language even more than lawyers are accustomed to doing, it is impossible to interpret these words as requiring or permitting a comparison of the amount taken to the secondary work.⁴¹⁵

Nevertheless, there is a temptation to make that comparison.

409. See *supra* text accompanying notes 56-58.

410. See *infra* note 477.

411. Evidence of this audience impact would be related to, but would not precisely duplicate, evidence of the potential market effect adduced for the fourth fair use factor. For purposes of the "amount taken," the evidence would address whether the portions taken accounted for the primary market appeal of the underlying work. For purposes of the market effect, it would address whether the plaintiff lost potential revenue due to the defendant's use and, if so, whether the loss arose from the use of the underlying work or other causes. See *infra* text accompanying notes 418-19, 421-24. Thus, although many of the underlying facts would be the same, the evidence in the two instances would be directed to different proof.

412. All nine Justices in *Nation Enterprises* agreed on this point. See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 565 (1985); *id.* at 598, 599 n.23 (Brennan, J., dissenting).

413. See *id.* at 565 (quoting *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 56 (2d Cir.), *cert. denied*, 298 U.S. 669 (1936)).

414. 17 U.S.C. § 107(3) (1982). For the text of Section 107, see *supra* text accompanying note 118.

415. See *Nation Enters.*, 471 U.S. at 599 n.23 (Brennan, J., dissenting).

The *Nation Enterprises* Court fell into this trap,⁴¹⁶ but it sought to justify its actions on grounds of common sense. Before noting that the portions of Ford's autobiography taken by *The Nation* constituted thirteen percent of *The Nation's* own infringing article, it said: "[T]he fact that a substantial portion of the *infringing* work was copied verbatim is evidence of the qualitative value of the copied material, both to the originator and to the plagiarist who seeks to profit from marketing someone else's copyrighted expression."⁴¹⁷ Similarly, the Second Circuit in *Salinger*, evaluating the quality of the portions of J.D. Salinger's unpublished letters that his unauthorized biographer had used, referred to what made the *infringer's* book worth reading.⁴¹⁸

Although this reasoning has some merit, it is more appropriate to the "purpose" or "market effect" factors than to the "amount taken." The relationship between the proportion of the secondary work that is borrowed and the qualitative value of the borrowed portions to the underlying work is, in general, tenuous. The user may have chosen excerpts poorly, may have focused upon an aspect of the underlying work that was not of general interest, or simply may have been too lazy to add anything of his own. In any such case, the fact that the portions taken constitute the lion's share of the secondary work would prove little with respect to their value in the underlying work.

Furthermore, copyright law seeks to preserve the profit potential of underlying works and thereby the incentive for creating them in the first place. It does not seek to prevent users of copyrighted works from making money. If a user can take unpopular or obscure portions of a preexisting work, add some new material, and produce a best seller, more power to him! That is exactly what copyright policy encourages. It is only when the portions taken to produce the best seller were important to the *original* work, either in quantity or quality, that the use may be damnable, because then the user robs the original work of its market appeal. Thus logic, policy, and the statutory language are congruent in directing courts' attention exclusively to the proportion and quality of the amount taken with respect to the underlying work, at least insofar as the "amount taken" factor is concerned.

416. *See id.* at 565-66.

417. *Id.* at 565 (emphasis added).

418. *See Salinger v. Random House, Inc.*, 811 F.2d 90, 99 (2d Cir.), *cert. denied*, 108 S. Ct. 213 (1987).

2. THE RELATIONSHIP OF THE AMOUNT TAKEN TO THE MARKET EFFECT AND THE PURPOSE OF THE USE

As the dissent in *Nation Enterprises* conceded, intuition and common sense argue for some comparison between the amount taken and the user's work,⁴¹⁹ despite the clear commands of the statute, copyright tradition, logic, and policy. Certainly a user's borrowing all, or substantially all, of his work militates against a finding of fair use.⁴²⁰ Moreover, the statute makes it clear that an abridgement—the paradigmatic use involving little new material—requires authorization by the author of the underlying work.⁴²¹ Certainly fair use analysis

419. See *Nation Enters.*, 471 U.S. at 599 n.23 (Brennan, J., dissenting).

420. See, e.g., *Marcus v. Rowley*, 695 F.2d 1171, 1176-77 (9th Cir. 1983) (almost 50% of teaching material on cake decorating copied verbatim); *Wihitol v. Crow*, 309 F.2d 777, 780 (8th Cir. 1962) (original hymn incorporated into choral arrangement for performance); *Public Affairs Assocs., Inc. v. Rickover*, 284 F.2d 262, 272 (D.C. Cir. 1960) (collected speeches of famous admiral copied for publication), *vacated and remanded on procedural grounds*, 369 U.S. 111 (1962) (per curiam); *Benny v. Loew's Inc.*, 239 F.2d 532, 536 (9th Cir. 1956) (television parody: "plot, story, principal incidents, and . . . sequence of events" taken from earlier movie), *aff'd without opinion sub nom. Columbia Broadcasting Sys., Inc. v. Loew's Inc.*, 356 U.S. 43 (1958) (per curiam); *Leon v. Pacific Tel. & Tel. Co.*, 91 F.2d 484, 486 (9th Cir. 1937) (telephone book: "Counsel have not disclosed a single authority, nor have we been able to find one, which lends any support to the proposition that wholesale copying and publication of material can ever be fair use."); *Jackson v. MPI Home Video*, 694 F. Supp. 483, 490 (N.D. Ill. 1988) (taking of all of Jesse Jackson's speech at Democratic National Convention for dissemination in videocassette form weighs against fair use); *Encyclopaedia Britannica Educ. Corp. v. Crooks*, 447 F. Supp. 243, 251 (W.D.N.Y. 1978) (educational films systematically copied by school district). *But see Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1353 & n.12, 1361 (Ct. Cl. 1973) (earlier cases only precluded copying of entire work for distribution to others; House Report contemplates fair use defense for copying of entire work), *aff'd without opinion*, 420 U.S. 376 (1975).

The nearly automatic condemnation of taking an entire work is consistent with decisions, such as *Nation Enterprises*, that hold the taking of a tiny portion unfair. See *Nation Enters.*, 471 U.S. at 569; *id.* at 579-80 (Brennan, J., dissenting) (taking of 300 words out of 200,000 from unpublished work unfair); *Iowa State Univ. Research Found., Inc. v. American Broadcasting Cos.*, 621 F.2d 57, 61-62 (2d Cir. 1980) (use of 8% of background film on Olympic champion, which user apparently found "essential," weighed against fair use); *Roy Export Co. Establishment of Vaduz, Liechtenstein v. Columbia Broadcasting Sys., Inc.*, 503 F. Supp. 1137, 1145 (S.D.N.Y. 1980), *aff'd*, 672 F.2d 1095 (2d Cir.), *cert. denied*, 459 U.S. 826 (1982) (jury reasonably could have found taking of 2%, 6%, 2%, 1% and 1.7%, respectively, from five films both quantitatively and qualitatively substantial, "at least with respect to some of the films").

A user whose entire work consists of borrowed material risks a judgment of infringement because he has added little of his own. Thus, the user stands accused of Justice Story's "facile use of the scissors." See *supra* note 332. More important, if all of a user's work is borrowed, there is a good chance it will usurp some, if not all, of the market for the underlying work. Thus for fair use purposes the primary evil of a predominantly borrowed work lies not in the amount it has taken, but in its likely market effect. Comparison of portions taken to the secondary work therefore should be evaluated under that heading.

421. See 17 U.S.C. § 101 (1982) (The definition of "derivative work" includes "abridgment."); *id.* § 106(2) (copyright holder's exclusive right to prepare and authorize preparation of derivative works); W. PATRY, *supra* note 5, at 22 n.20.

should not approve what Justice Story called "facile use of the scissors."⁴²²

This analysis, however, properly belongs more in a discussion of market effect than in an analysis of the amount taken. Congress has instructed courts, in analyzing the amount taken, to consider whether the user took portions of the underlying copyrighted work that accounted for *its* audience appeal. Indeed, courts should determine what constitutes the "heart" of the underlying work not by abstract literary speculation, but by reference to this target audience. A court analyzing the market effect, however, initially should look at the audience for the user's work as a whole, not just the borrowed portions, in order to determine whether the user's work has the potential to supplant the plaintiff's work in the marketplace. When it finds a significant potential market effect, the court then must determine whether that effect is due to the borrowed portions of the user's work or to the user's own creativity.⁴²³ This second inquiry is necessary to avoid curtailing the incentive to create new works from old ones,⁴²⁴ but it should be treated as part of the analysis of market effect.

Additional difficulties in applying the "amount taken" factor arise from its close relation to the "purpose" factor. There is no absolute standard by which to evaluate the amount taken, whether in a quantitative or qualitative sense.⁴²⁵ As the standard is flexible, the amount taken must be evaluated, not in a vacuum, but in relation to the legitimate purpose claimed for the use. Consequently, the "amount taken" and "purpose" factors are inextricably related, and the former cannot be applied until after application of the latter. For example, if the accused use is criticism or commentary, the amount taken must be appropriate for that purpose.⁴²⁶ Similarly, if the use is parody, the amount taken should be appropriate to "conjure up" the work parodied.⁴²⁷ Indeed, the crux of disagreement between the

422. See *supra* note 332.

423. See *supra* text accompanying notes 418-19.

424. No matter how great the market appeal of the user's work, the taking should be fair unless a significant portion of the market effect can be traced to portions taken from the underlying work. Otherwise, the user's creativity would be penalized, rather than rewarded.

425. See *Maxtone-Graham v. Burtchaell*, 803 F.2d 1253, 1263 (2d Cir. 1986) ("There are no absolute rules as to how much of a copyrighted work may be copied and still be considered a fair use."), *cert. denied*, 102 S. Ct. 220 (1987). Indeed, quick comparison of the facts and results in *Sony* and *Nation Enterprises* supports this point. See *supra* text accompanying notes 1-3.

426. See 3 M. NIMMER & D. NIMMER, *supra* note 47, § 13.05[D][1], at 13-90.10 to - 90.12. Cf. *Meeropol v. Nizer*, 560 F.2d 1061, 1070 (2d Cir. 1977) (finding it error to grant summary judgment based on insubstantiality of taking and not to allow trier of fact to consider "all relevant facts"), *cert. denied*, 434 U.S. 1013 (1978).

427. For a discussion of the "amount taken" in works of parody, see *infra* Section V(C)(3).

majority and the dissent in *Nation Enterprises* appeared to be differing views as to whether the taking was excessive for the purpose of news reporting.⁴²⁸ As all of the *Nation Enterprises* Justices recognized, a taking in excess of what is appropriate to the use weighs against a finding of fair use.⁴²⁹

The relationship between the "amount taken" factor and the market effect is different. It reflects something similar to causation, but not as immediate. To defeat a fair use defense, a copyright infringement plaintiff need not show actual, present market effect, but must only show "some meaningful likelihood of future harm."⁴³⁰ The inquiry is similar to an investigation of "likelihood of confusion" in an action for trademark infringement or unfair competition, for it addresses not existing conflict, but future probabilities.⁴³¹

Some speculation is inevitable under such a standard. However, to minimize the uncertainty of the standard and the potential for unfairness to the defendant, there must be some link between the accused use of the underlying copyrighted work and the claimed effect on its potential market. The causal link between the taking and the claimed market effect appears stronger to the extent the accused work has taken important portions of the work used. To the extent it has not, claims of market effect are tenuous. Thus, a proper determination of the market effect, as well as of the amount taken, requires some evaluation of the importance of the portions taken from the underlying work to the underlying work itself. Yet because courts must also determine the causal impact of the portions taken on the market effect of the secondary work in order to evaluate fairly the market effect, it is understandable if they sometimes confuse the

428. See *supra* notes 253, 378. The dissent in *Nation Enterprises* thought that *The Nation* had not taken more of the copyrightable aspects of Ford's autobiography than were necessary to convey the facts, because it viewed much of the substance of the autobiography as uncopyrightable facts and ideas. See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 600-01 (1984) (Brennan, J., dissenting).

429. See *id.* at 563-64; *id.* at 600-01 (Brennan, J., dissenting).

430. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 451 (1984) (emphasis in original).

431. A trademark infringement plaintiff need not show actual confusion in the marketplace between the allegedly infringing trademark and the plaintiff's mark; he need only demonstrate a likelihood of confusion. See generally 2 J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION, § 23.2[A], at 50-51 (2d ed. 1984) ("The test of infringement is the *likelihood* of confusion, not the proof of *actual* confusion." (emphasis in original)). The reason a demonstration of actual present harm is not required to rebut a fair use defense in copyright cases is the same: "such a requirement would leave the copyright holder with no defense against predictable damage," *Sony*, 464 U.S. at 451; *supra* text accompanying note 157, and therefore would frustrate the goal of injunctive relief—avoiding predictable damage and repeated trips to the courthouse.

“amount taken” factor with the market effect.⁴³²

3. APPLICATION TO PARODY

No field of creative expression better illustrates the interplay between the amount taken and the other fair use factors than parody. The amount taken is a central theme for works of parody because any successful parody must take enough to “recall or conjure up” the original work and thereby achieve the intended humorous effect.

The decision most often cited for this proposition is *Berlin v. E. C. Publications, Inc.*⁴³³ There *Mad Magazine* published satiric lyrics, without music, to twenty-five popular songs by Irving Berlin.⁴³⁴ The lyrics were original burlesques, accompanied by instructions to the reader to “sing to the tune of” Berlin’s songs.⁴³⁵ Their subject matter differed entirely from that of Berlin’s songs; the only elements in common were the meter and an occasional borrowed phrase.⁴³⁶

In a suit by Berlin for copyright infringement, the Second Circuit affirmed summary judgment for the defendants as to twenty-three of the twenty-five songs.⁴³⁷ It addressed both the “recall or conjure up” standard and an earlier, widely criticized standard that focused on the substantiality of the taking⁴³⁸ and found that the satiric lyrics satisfied

432. The *Nation Enterprises* dissenters accused the majority of confusing both the nature of the work (at least its unpublished status) and the market effect with the amount taken. See *Nation Enters.*, 471 U.S. at 597-98, 601-02 (Brennan, J., dissenting).

433. 329 F.2d 541 (2d Cir.), cert. denied, 379 U.S. 822 (1964).

434. *Id.* at 542.

435. *Id.* at 542-43.

436. *Id.* at 543.

437. *Id.* at 542, 545.

438. The “substantiality” standard was applied in *Benny v. Loew’s, Inc.*, one of two fair use decisions affirmed by an equally divided Supreme Court. See *Benny v. Loew’s, Inc.*, 239 F.2d 532 (9th Cir. 1956), *aff’d without opinion sub nom.* *Columbia Broadcasting Sys., Inc. v. Loews, Inc.*, 356 U.S. 43 (1958); *supra* note 128. In that case, Jack Benny had created a half-hour television burlesque of the successful serious movie and play “Gas Light,” which told the tale of a man trying to convince his wife she had gone mad. See *id.* at 533-35.

The Ninth Circuit rejected Benny’s fair use defense to a claim of copyright infringement, reasoning that Benny had taken too much of the plot, sequence and dialogue of the original works. See *id.* at 536-37. Without addressing the effect of the parody on the market for the original works, the Ninth Circuit said: “The fact that a serious dramatic work is copied practically verbatim, and then presented with actors walking on their hands or with other grotesqueries, does not avoid infringement of the copyright.” *Id.* at 536. In its analysis, the Ninth Circuit focused almost entirely on the substantiality of the taking and paid little heed to the claim that the use was a parody. See *id.* at 536-37.

The *Berlin* court noted with apparent approval criticism of the *Benny* decision for focusing on the amount taken to the exclusion of other factors, such as the market effect. See *Berlin*, 329 F.2d at 544-45; see also *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751, 756-57 (9th Cir. 1978), cert. denied *sub nom.* *O’Neill v. Walt Disney Prods.*, 439 U.S. 1132 (1979). In *Walt Disney*, the Ninth Circuit criticized a broad reading of its focus on the substantiality of the taking in *Benny* and reinterpreted *Benny* as “setting a threshold that eliminates from the

both:

While brief phrases of the original lyrics were occasionally injected into the parodies, this practice would seem necessary if the defendants' efforts were to "recall or conjure up" the originals; the humorous effect achieved when a familiar line is interposed in a totally incongruous setting, traditionally a tool of parodists, scarcely amounts to a "substantial" taking, if that standard is not to be woodenly applied.⁴³⁹

Earlier in its opinion, after describing the significant differences between the original songs and the parodies, the Second Circuit noted that the plaintiff had claimed no market effect. It wryly observed, "[Q]uite soundly, it is not suggested that 'Louella Schwartz Describes Her Malady' might be an acceptable substitute for a potential patron of 'A Pretty Girl Is Like A Melody.'"⁴⁴⁰

Codification of the fair use doctrine has encouraged courts not only to continue careful scrutiny of the amount taken in parody cases, but to consider other factors as well. A good example is the Ninth Circuit's decision in *Fisher v. Dees*.⁴⁴¹ That case involved a parody of the popular song "When Sonny Gets Blue," entitled "When Sonny Sniffs Glue."⁴⁴² In finding the parody a fair use, the Ninth Circuit discussed only three of the statutory factors: purpose, amount taken, and market effect.⁴⁴³ Although it observed that parody is a favored activity,⁴⁴⁴ the court denied parody any presumptively favorable effect. Instead, following the commercial presumption in *Sony* and *Nation Enterprises*,⁴⁴⁵ it weighed the "purpose" factor against fair use

fair use defense copying that is virtually complete or almost verbatim." *Id.* at 756-57. This interpretation of *Benny* appears proper. *Accord Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Coop. Prods., Inc.*, 479 F. Supp. 351, 358-59 (N.D. Ga. 1979).

Professor Gordon lauded the finding of infringement in *Benny* because there were no obvious impediments to market transactions between the television station and the copyright owners, as indicated by a reported \$100,000 settlement of the litigation. *See Gordon, supra* note 7, at 304-05 n. 221 (citing Netterville, *Copyright & Tort Aspects of Parody, Mimicry and Humorous Commentary*, 35 S. CAL. L. REV. 225, 233 (1962)).

The fact remains, however, that no court has considered whether the *Benny* burlesque impinged on the market for "Gas Light." Perhaps the case can be explained on the ground that Jack Benny's own use itself demonstrated a market for derivative works. *See supra* note 301.

439. *Berlin*, 329 F.2d at 545.

440. *Id.* at 543.

441. 794 F.2d 432 (9th Cir. 1986).

442. *See id.* at 434. The parody's opening lyrics were: "When Sonny sniffs glue, her eyes get red and bulgy, then her hair begins to fall." The original song's opening lyrics were: "When Sunny gets blue, her eyes get gray and cloudy, then the rain begins to fall." *Id.*

443. *See id.* at 436-39.

444. *See id.* at 435.

445. *See supra* notes 146-51, 157, 182 and accompanying text. *See generally supra* Section IV(A).

because the parody had a commercial purpose, but it held the presumption rebuttable.⁴⁴⁶ Turning to the market effect, the court briefly contrasted the two songs—a “lyrical song” about lost love and a raucous and silly song about drug use—and concluded that they did not “fulfill the same demand.”⁴⁴⁷

The Ninth Circuit next considered the “recall or conjure up” standard⁴⁴⁸ and rejected the notion that a parodist’s use should be limited to conjuring up the original initially.⁴⁴⁹ It listed three points to consider when determining whether a parodic taking is excessive: “the degree of public recognition of the original work, the ease of conjuring up the original work in the chosen medium, and the focus of the parody.”⁴⁵⁰ After analyzing the parody in light of these considerations, the court concluded that the parody took “no more from the original than [was] necessary to accomplish reasonably its parodic purpose.”⁴⁵¹ Thus, notwithstanding the weight it had given in assessing the “purpose” factor to the *Sony* and *Nation Enterprises* presumption against commercial fair use, the Ninth Circuit recognized that proper consideration of the amount taken requires reference to the parodic purpose of the work. In so doing, it recognized that a parodist is not limited to an amount that barely “conjures up” the original work, but may take more if a greater taking is appropriate to the parodic purpose. The Second Circuit has reached a similar conclusion.⁴⁵²

This conclusion is undoubtedly correct because a parodist’s job is only partly accomplished when the parody calls to mind the original work. If the law permitted only enough taking to “conjure up” the original, there would be no room left for poking fun at it. Yet repeated borrowing in surprising or incongruous ways is often the

446. See *Fisher*, 794 F.2d at 437. “The defendant can rebut the presumption by convincing the court that the parody does not unfairly diminish the economic value of the original.” *Id.* (citation omitted). Of course, the word “unfairly” in this passage begs the question and allows the court to nullify the presumption—a fate it richly deserves.

447. *Id.* at 438.

448. *Id.* at 438-39.

449. See *id.* at 438 & n.4. The court noted that whether a taking is excessive under the circumstances is a question of law. *Id.*

450. *Id.* at 439. The court cited its own earlier opinion in *Air Pirates* in which it had rejected a fair use defense on the part of “underground” comics that had copied the drawings of certain Disney characters too closely. See *id.* (citing *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751, 757-58 (9th Cir. 1978), cert. denied sub nom. O’Neill v. Walt Disney Prods., 439 U.S. 1132 (1979)).

451. *Id.* at 439.

452. “A parody is entitled at least to ‘conjure up’ the original.” *Elsmere Music, Inc. v. National Broadcasting Co.*, 623 F.2d 252, 253 n.1 (2d Cir. 1980) (per curiam) (affirming fair use defense for parody “I Love Sodom” of promotional song “I Love New York”).

heart of parody. Thus, the "conjure up" test should set only a minimum threshold for taking in parody. The maximum permissible taking should be determined by the more general standard of appropriateness for the purpose, with a view to prohibiting only colorable attempts to exploit the underlying work.

Although the Ninth Circuit in *Fisher* appeared to recognize this point, its fair use analysis was deficient in one respect. It did not explicitly weigh and balance the fair use factors in reaching its conclusion.⁴⁵³ This oversight is unfortunate, for courts have a tendency in parody cases to focus on the substantiality of the taking to the exclusion of other relevant factors, although this tendency has been properly criticized.⁴⁵⁴ Indeed, a comparison of the Second Circuit's opinion in *Berlin* with the Ninth Circuit's opinion in *Fisher* shows the considerable assistance that a broader focus can give courts in reaching just and reasoned results in parody cases.⁴⁵⁵

If this well-justified trend toward a broader focus continues, protection of parody under the fair use doctrine likely will expand. For parodies, the first two statutory factors—the purpose of the use and nature of the copyrighted work—ordinarily will be in balance because genuine parody lies in a favored category of use, but most parodies borrow from highly creative works. Thus the question of fair use in parody cases ordinarily will turn on the balance between the last two factors—the amount taken and the market effect.⁴⁵⁶ The parodist, however, need not prevail on both of these factors in order to maintain a fair use defense. For example, the adverse influence of a marginal or not particularly significant market effect might be overwhelmed by the favorable effect of a minimal taking. In any event, fair use should be found when proof of a market effect is lacking, regardless of the amount taken,⁴⁵⁷ for two reasons. First, the market effect is the most important factor.⁴⁵⁸ Second, a parody that has no adverse effect on the market for the underlying work is a new creative work that

453. The court's summation consisted of two short sentences setting forth its conclusions. See *Fisher*, 794 F.2d at 440.

454. See *supra* note 438.

455. Noting that it had "consistently focused" on the amount taken in evaluating fair use defenses for parodies, the *Fisher* court noted seemed eager to retrench from an obsessive focus on that factor alone. See *Fisher*, 794 F.2d at 438 (citing *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751, 756 (9th Cir. 1978), cert. denied sub nom. O'Neill v. Walt Disney Prods., 439 U.S. 1132 (1979)).

456. See *Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Coop. Prods., Inc.*, 479 F. Supp. 351, 358 (N.D. Ga. 1979).

457. See *MCA, Inc. v. Wilson*, 677 F.2d 180, 189 (2d Cir. 1981) (Mansfield, J., dissenting) ("[A] substantial taking for parody purposes is permissible where . . . the parody does not fulfill the demand for the copyrighted work.").

458. See *supra* text accompanying notes 297-98.

does not diminish the original author's incentive for creativity. Therefore copyright policy strongly supports its creation.⁴⁵⁹

4. DETERMINING WHAT CONSTITUTES THE COPYRIGHTED WORK

Because the amount taken is measured with respect to the underlying work, the analysis of that factor in some cases requires a threshold determination: what that work comprises. This issue may arise, if, for example, the underlying work is a portion of a collective work, such as a cover of a magazine,⁴⁶⁰ an article in a magazine,⁴⁶¹ a single-page feature in a magazine,⁴⁶² or an individual feature on a news broadcast.⁴⁶³ Courts consider three criteria in determining whether a particular single item constitutes a whole "copyrighted work" for purposes of fair use analysis: whether it contains the "essence" of whole work,⁴⁶⁴ whether it can stand on its own as a work of authorship,⁴⁶⁵ and whether it is separately marketable.⁴⁶⁶

Of these criteria, only the last seems useful. The first or "essence" criterion is hardly definitive or administrable. The second might be interpreted as involving creative or aesthetic evaluation, thereby raising questions of judicial competence and perhaps allowing judges to impose their personal aesthetic values on others.⁴⁶⁷ On the other hand, if the second criterion is interpreted as relying on a test of viability in the marketplace, it devolves into the third. The third criterion, separate marketability, therefore appears to be the best of the three because it directly addresses the policy of providing market incentives for creativity and is susceptible of proof by competent evidence, such as expert testimony and direct proof.

459. The estimation of market effect must take into account the chance, however unlikely, that the owner of copyright in the underlying work himself would make or commission a similar parody. *See supra* notes 301, 438.

460. *See Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171, 1176, 1177 & n.15 (5th Cir. 1980) (cover of TV Guide magazine, copied for comparative advertising purposes, was not whole work used, but only portion of it, because cover omitted "essence" of magazine—television schedules and articles).

461. *See Consumers Union of United States, Inc. v. General Signal Corp.*, 724 F.2d 1044, 1050 (2d Cir. 1983) (comparing amount taken to length of article, rather than whole magazine, without discussion of legal issue), *cert. denied*, 469 U.S. 823 (1984).

462. *See Hustler Magazine, Inc. v. Moral Majority, Inc.*, 796 F.2d 1148, 1154-55 (9th Cir. 1986) (single-page parody "advertisement" stands alone as entire work).

463. *See Pacific & S. Co., Inc. v. Duncan*, 744 F.2d 1490, 1497 (11th Cir. 1984) (videotaped feature from television news program constituted entire work because it "[stood] alone" as coherent narrative), *cert. denied*, 471 U.S. 1004 (1985).

464. *See Triangle Publications*, 626 F.2d at 1177; *Hustler Magazine*, 796 F.2d at 1154.

465. *See Hustler Magazine*, 796 F.2d at 1155; *Duncan*, 744 F.2d at 1497.

466. *See Duncan*, 744 F.2d at 1497 (videotaped feature sold separately).

467. These are the same concerns that have made the judiciary reluctant to evaluate the content of copyrighted works generally. *See supra* note 367.

D. *The Market Effect*

The final statutory fair use factor—"the effect of the use upon the potential market for or value of the copyrighted work"—⁴⁶⁸ is the most important of the four⁴⁶⁹ because it directly addresses the fundamental goal of copyright law: encouraging creativity by securing financial rewards to authors through the exercise of their exclusive statutory rights.⁴⁷⁰ If the use of a copyrighted work by someone other than the copyright holder does not reduce its existing or potential market, that use does not impair the incentive for creativity, and therefore does not impinge upon the fundamental goal of copyright law. At the same time, that use advances both goals of copyright law through the creation of a new work based upon the old one and consequent increased dissemination of borrowed portions of the copyrighted work. Accordingly, a use that has no adverse effect upon the market for the copyrighted work is likely to be fair.

1. THE BURDEN OF PROOF

Although the "market effect" factor is firmly based in copyright policy, applying it is not easy. A threshold question is who bears the burden of proof. If the *Sony* majority's pronouncement⁴⁷¹ is taken literally, the answer depends upon whether or not the use is commercial. If the use is commercial, the defendant bears the burden, as is generally appropriate for an element of an affirmative defense.⁴⁷² However, this rule applies only when the defendant's use is for profit because then a market effect is presumed. When the defendant's use is noncommercial, a market effect "must be demonstrated."⁴⁷³

With due respect to the *Sony* Court, this conditional allocation of the burden makes no sense. The difficulty of proving or disproving market effect does not turn on the defendant's profit motives. Congress recognized that use by noncommercial enterprises, such as public broadcasting entities, may have a profound effect on the markets for copyrighted works.⁴⁷⁴ There is no reason to suppose that non-profit enterprises in general would have any more or less difficulty proving market effect than commercial operations of similar scope.

468. 17 U.S.C. § 107 (1982).

469. See *supra* text accompanying notes 297-98.

470. For a discussion of the goals of copyright law, see *supra* notes 56-59 and accompanying text.

471. See *supra* text accompanying note 157.

472. See *supra* note 160.

473. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 451 (1984). See *supra* text accompanying note 157.

474. See *supra* note 268.

Hence there is little reason to allocate burdens of proof conditionally, based on the defendant's profit motives.

Yet if the burden of proof should not shift depending on the purpose of the defendant's use, on whom should it lie? Although fair use is an affirmative defense, it appears appropriate for the plaintiff to bear the burden of proof of market effect, at least initially, for several reasons.⁴⁷⁵ First, the plaintiff already bears the burden of proof on the issue of infringement as a whole, and a claim of market effect goes to the heart not only of the defendant's fair use defense, but also of the plaintiff's case in chief. If the plaintiff wins her case in chief on the issue of liability, she may have to prove something similar to market effect in order to recover damages.⁴⁷⁶ Requiring her to take the small additional step of extrapolating damage calculations to potential future markets does not seem to be an unfair burden.

Second, and more important, in most cases the plaintiff has better information regarding the potential market effect than the defendant. For example, the plaintiff may have prepared marketing studies for the work allegedly unfairly used, or for similar works. Those studies, describing the likely market for the work, would provide essential evidence in assessing the market effect of the accused use.⁴⁷⁷ At any rate, the defendant is not likely to have significant information about the potential market for the plaintiff's work, particularly if the defendant's use is in another medium entirely—as often happens in

475. Requiring the plaintiff to bear the burden of proof of market effect is not inconsistent with the traditional view that fair use is an affirmative defense, because the market effect is only a single factor in the fair use calculus. The defendant could continue to bear the burden of proof on the fair use defense as a whole. For example, if the evidence were equally balanced after evaluation of all the relevant factors (including any not required by statute) the decision could favor the plaintiff.

476. Damages are not an element of the offense of copyright infringement. A plaintiff may seek an injunction against further infringement, impoundment and destruction of copies and materials used in the infringement, the infringer's profits, and statutory damages, all without proof of loss. See 17 U.S.C. §§ 502, 503, 504(a)(1), 504(b), 504(c) (1982), *supra* note 84. However, if a plaintiff does seek to recover damages, the evidence will be similar to that used to demonstrate market effect, although perhaps less speculative.

When the plaintiff seeks the defendant's profits, the defendant bears the burden of proof of causation with respect to those profits. The plaintiff need only show the defendant's gross revenue from the infringing use, and the defendant then must prove any sources of that revenue other than the infringement, as well as all deductions from gross revenue. See *supra* note 233. The defendant's profits, however, are only an indirect measure of the effect of the defendant's use on the market for the plaintiff's work, while actual damages usually will be a direct measure.

477. The market effect at issue is the effect of the defendant's use on the plaintiff's potential market for the copyrighted work. Although assessing this effect may require some understanding of the market for the defendant's work, that market is relevant only insofar as it overlaps the plaintiff's potential market. The primary focus of "market effect" analysis is the plaintiff's potential market, not the defendant's.

fair use cases. Requiring the defendant to elicit this information through laborious discovery when it is at the plaintiff's disposal would only prolong litigation and encourage evasion of the discovery process.

Finally, forcing the defendant to disprove a market effect requires that he prove a negative—a difficult task in the best of cases. The task might be virtually impossible without some guidance as to which of the infinity of possible markets should be addressed. It therefore seems both fair and appropriate to require the plaintiff to bear the burden of proof on the issue of market effect, or at least the burden of coming forward with evidence to identify the particular markets potentially affected. Although the *Sony* Court would restrict this approach to cases of noncommercial use, there appears to be little reason to do so.

2. THE FUNCTIONAL TEST

Before turning to a more general discussion of the market effect, it is useful to examine a test developed by Professor Nimmer that is closely related to that factor. Under his test, courts compare the purposes or functions of the original and accused works. If they are the same, that fact weighs heavily against a finding of fair use, regardless of whether or not the two works are in the same medium.⁴⁷⁸ The test uses congruence of function as a proxy for market effect, presuming some market effect when the two works have the same function. This "functional test" has some support in case law⁴⁷⁹ and in the legislative history of the copyright statute, although support in the legislative history is limited to the educational field.⁴⁸⁰

478. See 3 M. NIMMER & D. NIMMER, *supra* note 47, § 13.05[B], at 13-84 to -90.3.

479. See, e.g., *Supermarket of Homes, Inc. v. San Fernando Valley Bd. of Realtors*, 786 F.2d 1400, 1409 (9th Cir. 1986) (unauthorized copies of real estate multiple listing books sold and distributed to consumers for same purpose as authorized copies: providing information to sell homes); *Financial Information, Inc. v. Moody's Investors Serv., Inc.*, 751 F.2d 501, 509 (2d Cir. 1984) (unauthorized copies of municipal bond information in "called bond cards" used for same commercial purpose as cards), *cert. denied*, 108 S. Ct. 79 (1987); *Marcus v. Rowley*, 695 F.2d 1171, 1175 (9th Cir. 1983) (unauthorized copy of booklet for teaching cake decorating in home economics class used in "learning activity package" for same purpose); *Jartech, Inc. v. Clancy*, 666 F.2d 403, 407 (9th Cir.) (use of photographs and sound recordings of adult film in city council's nuisance abatement proceeding not for same "intrinsic" use and therefore weighs in favor of fair use), *cert. denied*, 459 U.S. 826 (1982); *Iowa State Univ. Research Found. v. American Broadcasting Cos.*, 621 F.2d 57, 61 (2d Cir. 1980) (television network broadcast of students' film biography of Olympic wrestling champion fulfilled the same basic purpose as film); *Roy Export Co. Establishment of Vaduz, Liechtenstein v. Columbia Broadcasting Sys., Inc.*, 503 F. Supp. 1137, 1144-45 (S.D.N.Y. 1980) (unauthorized use of Charlie Chaplin's films in television network's broadcast "obituary" fulfilled same function as films), *aff'd*, 672 F.2d 1095 (2d Cir.), *cert. denied*, 459 U.S. 826 (1982).

480. A House Report on an early version of the copyright revision bill stated, "Textbooks

The difficulty with the functional test, however, is that it has no basis in the statute. If function means the purpose of the use,⁴⁸¹ the statute is unambiguous. It treats the purpose of a use as an absolute and asks only whether the purpose is among the favored categories, such as news reporting, commentary, criticism, and the like.⁴⁸² The statute does not view the purpose of a use in a relative sense, i.e., in relation to the purpose of the underlying work. Indeed, except for a limited passage from an early House Report,⁴⁸³ there is nothing in the legislative history to suggest that courts are to compare the purposes of the two works in applying the "purpose" factor.

On the other hand, attempting to apply the functional test as part of the "market effect" factor would confuse that factor with the "purpose" factor and, more important, would substitute facile categorization for proof of the realities of the marketplace. Whether two works appear to have a common function should make no difference in fair use analysis, because the statutory test is whether the accused work is likely to have an adverse impact on the potential *market* for the original. Although congruence of function makes a market effect possible, it does not by itself demonstrate the probability of that effect. That probability must be established by proof.

For example, suppose the *The Washington Post* received a verbal report from an unnamed source at the Pentagon, identifying a member of the Joint Chiefs of Staff and claiming that he had recommended a preemptive nuclear strike against a hostile nation. Further, suppose

and other material prepared primarily for the school market would be less susceptible to reproduction for classroom use [under the fair use doctrine] than material prepared for general public distribution." H.R. REP. NO. 83, 90th Cong., 1st Sess. 34 (1967), *quoted with approval in Marcus*, 695 F.2d at 1175. This early language appears to have been approved by the House Report on the bill eventually enacted. See HOUSE REPORT, *supra* note 6, at 67 (Prior discussion "still has value as an analysis of various aspects of the problem.").

The language of the report, however, only addresses educational materials, which have a limited market. It should not be considered blanket approval of Professor Nimmer's "functional test."

481. Some courts have made a "functional" analysis in evaluating the "purpose of the use." See *Supermarket of Homes*, 786 F.2d at 1402; *Marcus*, 695 F.2d at 1175; *Jartech*, 666 F.2d at 407. Three courts inexplicably treat the "functional test" as part of their analysis of the nature of the copyrighted work. See *Moody's Investors Serv.*, 751 F.2d at 509; *Iowa State Univ. Research Found.*, 621 F.2d at 61; *Roy Export*, 503 F. Supp. at 1144-45. The substance of their analysis, however, appears to be the proposition that similarity of function between the accused and copyrighted works should outweigh the alleged creative, noncommercial, or educational nature of the unauthorized use, respectively. Apparently, these courts reasoned that the unauthorized use, being for the same purpose as the copyrighted work, was likely to usurp whatever potential market the copyrighted work may have had. This reasoning is of course better addressed to the "market effect" factor than to the "purpose" or "nature" factor.

482. See *supra* text accompanying notes 311-19.

483. See *supra* note 480.

that *The Post* received the report as an "exclusive," with the understanding that *The Post* would release its own summary of the report, with background, the next day. That summary undoubtedly would be "news" of the highest order, which every news service in the country would pick up. Yet because other news services, by hypothesis, would have no original sources for their stories (*The Post* had an "exclusive") they could do no more than parrot what *The Post* reported. Due to the sensitivity of the subject matter and the risk of a libel action by the named Chief of Staff, other news services therefore might be excused if they stuck closely to *The Post's* language in their stories.

Application of the functional test would tend to condemn this use of *The Post's* expression because the purposes of the use and of *The Post's* original publication would be precisely the same: reporting current news for profit. Yet a more careful analysis of market effect might well produce a neutral result, or even tilt toward a finding of fair use. After all, by hypothesis, *The Post* would have published this important news first and would have received the expected benefit from its "scoop." Later developments in the Pentagon, the White House, or the international arena undoubtedly would eclipse the importance of *The Post's* particular wording of its original exclusive story. In that case, there might well be no cognizable market effect, despite the congruent purpose of the two works.

Instead of mindlessly comparing the functions of the two works in such cases, courts should require plaintiffs to produce evidence of a potential market effect. As for the "purpose" factor, courts should give favored purposes such as news reporting the usual benefit of the doubt, particularly in a case such as this, where the matter reported is of such importance. Indeed, the doctrine of fair use was largely developed for just such cases.

The field of parody provides a second example of the confusion that the functional test might sow. In *MCA, Inc. v. Wilson*,⁴⁸⁴ the Second Circuit considered a bawdy parody of the famous wartime ballad "Boogie Woogie Bugle Boy of Company B," entitled the "Cun-ningus Champion of Company C."⁴⁸⁵ Noting that both songs had been performed on stage and sold in recorded and printed form, the court found them to be competitive, and without any market analysis, gave that finding some weight in rejecting a fair use defense.⁴⁸⁶ A

484. 677 F.2d 180 (2d Cir. 1981).

485. *MCA*, 677 F.2d at 182. The song was created for a raunchy off-Broadway musical entitled "Let My People Come." *Id.* at 181.

486. *See id.* at 185. The Second Circuit rested its conclusion primarily on the extent of the

vehement dissent criticized the majority for deducing a market effect solely from the fact that both songs had been exploited in the same media.⁴⁸⁷ It argued that "the two works respond to wholly differing demands and that a customer for one would not buy the other in its place. A raucous and explicitly sexual satire is not a substitute for the innocence of Bugle Boy."⁴⁸⁸ As the dissent also noted,⁴⁸⁹ the Second Circuit had reached the opposite result in a similar case involving the milder parody "I Love Sodom" of the promotional song "I Love New York."⁴⁹⁰

Although the *MCA* majority did not explicitly apply the "functional test," its reasoning was equivalent. Without considering the market effect in detail, it presumed a market effect because the two works were songs, functioned as entertainment, and had been commercialized in the same way. Such reasoning does little more than allow a court to substitute facile labels for analysis and proof.

This is not to say that congruence of function has no place in fair use analysis. It may serve as evidence to be considered in an analysis of market effect. However, it should not dominate that analysis or skew evaluation of the "purpose of the use." Unless a plaintiff can produce some evidence of potential market effect, congruence of purpose alone ought not destroy a fair use defense, or even tilt the market effect factor against fair use.

3. THE PROBLEM OF BREADTH

Aside from the burden of proof and nonstatutory tests, the chief difficulty of the "market effect" factor is the broad scope of markets that it attempts to address. Under the *Sony* Court's standard,⁴⁹¹ plaintiffs are allowed two extrapolations in proving⁴⁹² the market

taking, which the district had found unfairly excessive, and on the district court's finding that the accused work had not been intended as a satire or parody of anything in particular. *See id.*

487. *See id.* at 191 (Mansfield, J., dissenting). The dissent also criticized the majority for giving no more than lip service to the principles that a parody need not address the underlying work itself, but may satirize general social, political, or economic conditions, and that a parodist may take more than is strictly necessary to "conjure up" the original. *See id.* at 189-90. The majority's decision, however, may have been motivated more by disdain for the defendants and the subject of their work than by strict application of fair use law. *See id.* at 184 n.1; *see also id.* at 191 (Mansfield, J., dissenting) ("We cannot, under the guise of deciding a copyright issue, act as a board of censors outlawing X-rated performances.").

488. *Id.* at 191.

489. *See id.* at 189.

490. *See Elsmere Music, Inc. v. National Broadcasting Co.*, 623 F.2d 252 (2d Cir. 1980).

491. *See supra* text accompanying note 157.

492. For ease of discussion, it is assumed that plaintiffs bear the burden of proving market effect, but not of negating the fair use defense as a whole. *See supra* text accompanying notes 475-78 and note 475.

effect of an allegedly infringing use. First, they may extrapolate the future of the defendant's use, in order to demonstrate what sort of market effect it might have "if it should become widespread."⁴⁹³ Presumably this language permits plaintiffs to demonstrate the likely effect of similar use of the same copyrighted material by others, for a finding of fair use would serve as a precedent that would permit and might encourage others to duplicate the accused use.⁴⁹⁴ In addition, it might permit plaintiffs to introduce evidence regarding all media in which the alleged infringer and others might distribute the accused work and potentially infringing derivative works based on it.⁴⁹⁵ For example, if accused work is a novel, the plaintiff might show that it could be adapted for theater, screen, or television.

The second extrapolation permitted by the *Sony* standard addresses the plaintiff's potential markets. It admits testimony as to all potential markets for the copyrighted work and any adverse effect of the accused use, as extrapolated, on those markets. This second extrapolation undoubtedly includes markets for derivative works based on the copyrighted work, as the Supreme Court held in *Nation Enterprises*.⁴⁹⁶ Thus, a proper evaluation of market effect may require courts to determine, for example, whether the plaintiff's work might be produced in new media, translated into other languages, or published or performed in new markets.⁴⁹⁷

To be sure, a wide-ranging analysis of potential markets appears

493. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 451 (1984), *quoted at supra* text accompanying note 157.

494. The *Nation Enterprises* Court explicitly acknowledged the precedential effect of fair use decisions on the markets for copyrighted works. *See supra* text accompanying note 236.

495. Allowing evidence of putative uses by putative future defendants does not undermine the argument that the plaintiff normally will have the best evidence of market effect. *See supra* text accompanying notes 476-78. The focus of the inquiry remains the plaintiff's market, *see supra* note 477, and extrapolation of the defendant's market may be beyond either party's direct knowledge.

496. *See supra* text accompanying note 234; *see also* *Pacific & S. Co. v. Duncan*, 744 F.2d 1490, 1496-97 (11th Cir. 1984) (market for excerpts of appearances of individuals on newscasts, which defendant exploited), *cert. denied*, 471 U.S. 1004 (1985); *Iowa State Univ. Research Found., Inc. v. American Broadcasting Cos.*, 621 F.2d 57, 62 (2d Cir. 1980) (use of film in television broadcasts); *Meeropol v. Nizer*, 560 F.2d 1061, 1070 (2d Cir. 1977) (possible republication or sale of motion picture rights in copyrighted letters that had been out of print for 20 years), *cert. denied*, 434 U.S. 1013 (1978); *Roy Export Co. Establishment of Vaduz, Leichtenstein v. Columbia Broadcasting Sys., Inc.*, 503 F. Supp. 1137, 1145-46 (S.D.N.Y. 1980) (detailed discussion of this principle in context of "retrospective" drawn from excerpts of individual films), *aff'd*, 672 F.2d 1095 (2d Cir.), *cert. denied*, 459 U.S. 826 (1982).

497. Although the *Sony* majority mentioned potential markets for the copyrighted television programs at issue, it focused primarily on existing markets, such as reruns, theater showings, and film rentals. *See supra* text accompanying notes 162-63. The four dissenters questioned this focus and noted then-undeveloped future markets, including the sale and rental of prerecorded tapes or discs. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S.

justified on policy grounds,⁴⁹⁸ especially in times, like the present, when rapid advances in technology are continually creating new media of expression. Exploitation of new media of expression simultaneously serves both goals of copyright law, encouraging creation of new works of authorship and broadly disseminating those already created. Moreover, exploitation of new media may require massive investment deserving special encouragement. Thus, to skimp on copyright protection for nascent media in the name of an overgenerous reading of fair use would undercut both pillars of copyright policy.⁴⁹⁹ For these reasons, recent commentators are unanimous in supporting a broad view of markets potentially affected by an accused use.⁵⁰⁰

483, 497-98 (1984) (Blackmun, J., dissenting); *supra* note 185. Neither the majority nor the dissent, however, discussed then undeveloped markets in depth.

Nevertheless, it is significant that the four dissenting Justices considered undeveloped markets even with respect to private, noncommercial activity such as private home videotaping. Undoubtedly, all nine Justices would have considered such markets in evaluating commercial activity, given the majority's presumption that such activity is unfair. See *supra* text accompanying note 157.

498. See *supra* text accompanying notes 469-71.

499. Uncertainty in protection of authors' and publishers' economic interests can profoundly affect the development of new media. A thriving industry in compact disks developed quickly because legal protection for phonorecords was already available and the high cost of manufacturing compact disks to some extent made legal protection superfluous. In contrast, the United States digital audio tape industry was stillborn due in large measure to uncertainty over practical protection for the interests of owners of copyrighted works.

Digital tape technology makes it easy for consumers to copy recordings of music without degradation of quality. Record producers feared that this technology would encourage massive unauthorized copying, and thereby destroy their markets for records. As a result, although the recording technology had been available for some time, importation of equipment into the United States was held in limbo for almost two years while copyright holders unsuccessfully petitioned Congress to require technical (hardware) modifications to prevent unauthorized copying. See Fantel, *Barriers to DAT Recorders Are Breaking Down*, N.Y. Times, Apr. 24, 1988, § 2 at 31, col. 1 (Sunday ed.); Yoder, *Digital Tape Is Inevitable; So Why the Delay?*, Wall St. J., Aug. 12, 1986, at 31, col. 2.

500. See Gordon *supra* note 7, at 278-81 (suggesting, *inter alia*, that courts consider harm in light of potential market mechanisms that may develop in the future if the accused use is found unfair); Fisher, *supra* note 58, at 1729 n.298 (concurring with Professor Gordon on this point); *id.* at 1740-43 (criticizing courts and earlier commentators for taking too narrow a view of the effects of users' actions on original creators' incentives to create); *id.* at 1781-82 n.524 (suggesting that, in most cases, the mere fact that a plaintiff has brought suit should be enough to require an investigation of marketplace harm); see also *Jackson v. MPI Home Video*, 694 F. Supp. 483 (N.D. Ill. 1988) (finding market effect despite lack of evidence that plaintiff would ever market his Convention speech, which he had widely publicized for free).

Professor Fisher also suggests that any adverse impact on a copyright owner's ability to engage in price discrimination should be evaluated as a separate factor, weighing against fair use, because price discrimination increases the monopoly rewards to authors while equalizing users' access to copyrighted works. See *id.* at 1709-10, 1774, 1782. As an example, he cites the publishing of a pirate paperback before the original author either has reaped the full rewards of her higher-priced hardback edition or has published her own delayed paperback edition. See *id.* at 1709-10. Absent the pirate paperback edition, the author could engage in price

Nevertheless, the *Sony* Court's standards for potential markets are so open-ended that they invite courts to sail forth upon a sea of speculation.⁵⁰¹ How are courts to stay afloat, let alone steer a steady course toward precision and certainty in their decisions? Perhaps the answer lies in paying more attention to the quantitative aspects of potential markets. Nowhere in *Sony* or *Nation Enterprises* did the Supreme Court address the magnitude of the market impact, or even its importance relative to the size of the market as a whole.⁵⁰² Consequently, the *Sony* Court could dismiss the impact of millions of individual decisions, repeated without limit, to copy entire television programs. On the other hand, the *Nation Enterprises* Court could

discrimination by extracting a higher price for the hardback edition, presumably including a premium not only for the higher quality of the hardback edition, but also for earlier access to its contents. (The pirate paperback would usurp the portion of the premium attributable to the earlier access, but presumably not the portion attributable to higher quality.)

Undoubtedly, the notion that price discrimination by copyright owners can improve the economic efficiency of copyright incentives without decreasing that of dissemination and use is something that the courts may wish to keep in mind. Nevertheless, it hardly qualifies as a separate factor in the fair use calculus. Price differences arising solely from physical differences in the form or medium in which a work is produced, or in the terms of its licensing, undoubtedly outnumber instances of true price discrimination. More important, in cases such as this example, all markets involved in the "price discrimination" will fall under the rubric of "potential markets" in the "market effect" analysis as long as potential markets are construed to include markets for derivative works—a proposition with which Professors Gordon and Fisher, the Supreme Court, and this Article all generally concur. See Fisher, *supra* note 58, at 1742-43; Gordon, *supra* note 7, at 278-81; *supra* notes 496-97 and accompanying text. Because direct impacts on the sales of the hypothetical author's hardback and paperback are both readily foreseeable, they fit comfortably within the "market effect" factor under Section 107, and there is no need to introduce a new factor in the analysis or to amend the statute.

501. See *supra* text accompanying notes 298-302.

502. Professor Fisher also recognizes that the magnitude of the market impact must be considered. See Fisher, *supra* note 58, at 1672 & n.58. As a remedy, he suggests a complex economic calculation in which courts would: (1) compute incentive/loss ratios for all foreseeable types of uses of the same copyrighted work, as well as for the accused use; (2) calculate the aggregate effect on overall economic efficiency for copyright owners and users of that type of copyrighted work as successive uses are prohibited, in the order of decreasing incentive/loss ratios; and (3) prohibit the use (and all successive uses) at which that aggregate effect turns over, i.e., stops increasing and starts to decrease with each successive type of use of decreasing incentive/loss ratio. See *id.* at 1705-17.

Even with a number of simplifying assumptions, this calculation requires determining all the uses of the same type of copyrighted work "that might be considered fair or unfair" and the incentive/loss ratios for all those uses. See *id.* at 1706-07. Determining these in turn might require the judge to estimate the royalty at which a monopolist would license a monopsonist to produce a derivative work, or the ways in which readers of literary reviews, students, and professors might respond to a prohibition on the use of excerpts in reviews, learning, and teaching, respectively. See *id.* at 1710 n.239, 1712-14. Furthermore, calculating the aggregate efficiency effects would require the judge to estimate the impact of the various sorts of economic incentives for *each putative use*, not only upon the universe of authors of the particular type of copyrighted work at issue, but also upon those *who might become* such authors. See *id.* at 1715 & n.257. The complexity of this sort of calculation makes it impractical as a tool for judicial decisionmaking. See *supra* note 105.

find a legally significant market impact in the loss of a \$12,500 installment licensing fee.⁵⁰³ In light of subsequent developments in the video industry, it is hard to imagine that the market impact of millions of unauthorized home copies would amount to less than \$12,500, the loss attributed to *The Nation's* prepublication "scoop."

Yet it is not the absolute magnitude of the market impact that matters. Rather, it is the effect of the market impact on the incentive to create. All things being equal, a greater pecuniary impact will have a greater effect on that incentive. But all things are seldom equal, and the incentive in practice no doubt depends upon the relative size of the market to begin with, as well as the size, strength, and nature of the copyright owner and others similarly situated. Even the millions of copies of television programs that *Sony* allowed consumers to make might be immaterial if they amounted to, for example, only one percent of television producers' expected revenues. Under those circumstances, it would be hard to argue that a one percent loss in revenue seriously affected producers' incentive to create.

At first glance, calculating the market impact in numerical terms may seem too mercenary an approach. After all, does the law allow stealing as long as one doesn't steal too much? Copyright infringement, however, is not stealing, and fair use is always a matter of degree. If courts carefully parse the number and proportion of words taken from an underlying work, why should they not parse as carefully the number and proportion of dollars taken from a potential market? The latter ratio may always be more uncertain than the former, but without some effort to quantify the market effect, even if only by a rough estimate of relative magnitude, courts will have a difficult time making a realistic assessment of damage to the copyright incentive. They may shed great light on the minutiae of quotation versus paraphrasing but will leave the factual underpinnings of copyright policy in the dark.

In any event, assessing the market effect requires addressing potential markets, and therefore courts cannot float entirely free of the stream of speculation. Moreover, since the Supreme Court has

503. See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566-69 (1985). It is inconceivable that Gerald Ford was paid less than a six-figure advance for his two years of work in preparing the manuscript of his autobiography. It may be assumed that the publishers expected profits of roughly the same magnitude. In perspective, the \$12,500 loss due to *The Nation's* prepublication scoop might appear less than a fatal blow to the copyright incentive. Nor would a finding of fair use in *Nation Enterprises* have destroyed the incentive of first serialization rights, as the Court feared, see *supra* text accompanying note 236, if that result had been based on the relative pecuniary advantage achieved by *The Nation's* scoop. In that instance, the case would serve as a precedent only in situations in which the relative monetary impact were similarly small.

decreed fair use to be a mixed question of law and fact,⁵⁰⁴ even appellate judges may be drawn into that stream. To stay afloat, courts must demand that plaintiffs⁵⁰⁵ produce some evidence of a market effect and estimate the relative impact of the challenged use on their primary and potential markets. Otherwise, assessment of the "market effect" factor—the most important in the fair use calculus—will be ruled by judicial hunches.

Proper consideration of quantitative factors may require mini-trials on potential damages, complete with expert witnesses and accountants. This complexity, however, seems unavoidable. Without it, copyright infringement plaintiffs might prevail on the issue of fair use simply by identifying the types of markets potentially affected, without quantitative foundation; this result would unnecessarily tip the balance of copyright policy in favor of creation, and against dissemination and use, of copyrighted works. Only through some estimate of the market effect's magnitude can a proper balance be struck. Although evidence of potential markets necessarily will be more uncertain than proof of damages, where such evidence is available courts should encourage every effort on the part of litigants to introduce it, in order to make market effect analysis more realistic and precise. Where the issues of liability and damages are tried separately, courts perhaps could consolidate the fair use and damages phases of the trial to avoid inefficiency.

4. THE EFFECT OF CRITICISM

However broad in scope the "market effect" factor may be, it does not address indirect harm arising from parody or criticism. In the words of the Ninth Circuit in *Fisher*: "[T]he economic effect of the parody . . . is not its potential to destroy or diminish the market for the original—any bad review can have that effect—but rather whether it *fulfills the demand* for the original. Biting criticism suppresses demand; copyright infringement usurps it."⁵⁰⁶ This distinction is fundamental to the notion of fair use. Weighing the critical

504. See *Nation Enters.*, 471 U.S. at 560 (citing *Pacific & S. Co. v. Duncan*, 744 F.2d 1490, 1495 n.8 (11th Cir. 1984), *cert. denied*, 471 U.S. 1004 (1985)); 3 M. NIMMER & D. NIMMER, *supra* note 47, § 13.05, at 13-63 to -64 & n.8.

505. See *supra* note 492.

506. *Fisher v. Dees*, 794 F.2d 432, 438 (9th Cir. 1986) (parody of popular song) (emphasis in original).

In this age of electronic publishing, there is a third possibility: unauthorized use of a database may impair its market by degrading the performance of the database system. See *Telerate Sys., Inc. v. Caro*, 689 F. Supp. 221, 230 (S.D.N.Y. 1988) (impairment of service to other database customers, caused by unauthorized use, is adverse market impact cognizable in fair use analysis). Since the database owner may be able to avoid this degradation of service at

effect of a secondary work, rather than its effect in supplanting demand for the original, would penalize a parody or critique precisely when it is most effective in its criticism and therefore most deserving of protection under the fair use doctrine.⁵⁰⁷

Because of this distinction, one court has suggested that a non-competitive work can have no market effect.⁵⁰⁸ Such a rule, however, would be too extreme. An infringing work need not be directly and currently competitive with the original work in order to have a mar-

little expense, fair use analysis should focus not on the actual degradation of service, but on whether the unauthorized use usurps a potential market that belongs to the database owner.

507. The case of *Hustler Magazine, Inc. v. Moral Majority, Inc.*, suggests an interesting variant of this principle. See *Hustler Magazine, Inc. v. Moral Majority, Inc.*, 796 F.2d 1148 (9th Cir. 1986). The dispute involved the publication of a salacious parody advertisement, describing Jerry Falwell's first sexual encounter, reportedly with his mother in an outhouse. Falwell, the leader of the Moral Majority, used mass mailings of copies of the ad in a fund-raising drive to support an action against *Hustler* for libel. A divided Ninth Circuit found this use fair, perceiving little market effect. See *id.* at 1156; *supra* note 300.

Professor Fisher views the Ninth Circuit's no-harm conclusion as "plainly incorrect," noting that the Moral Majority's use of the copies to support a litigation fund "may well . . . reduce the eagerness of *Hustler* and other magazines to publish parodies of public figures in the future." Fisher, *supra* note 58, at 1741 n.352. Although such a disincentive is indeed likely, query whether it is a market effect of which copyright law should take cognizance. No usurpation of market is involved; instead, as in the case of criticism, the harm flows from a source extraneous to copyright policy—in this case the use of the courts to vindicate an alleged personal right to be free from defamation. Assuming arguendo that the ad was grossly libelous and that Falwell had no other way to finance the action, it is not clear that copyright policy demands a finding of infringement, thereby rendering Falwell liable for disgorgement of profits, and perhaps closing his door to the courtroom. On the contrary, it seems that copyright concerns are peripheral to this dispute, and that the real issue is the dividing line between legitimate free expression and defamation or other tortious conduct—a line better drawn under state law, in light of first amendment principles. See generally *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 347-50 (1974) (in suit by private citizen, first amendment permits states to impose liability for defamation under any standard other than liability without fault, but recovery must be limited to actual damages absent at least recklessness); *New York Times Co. v. Sullivan*, 376 U.S. 254, 279-80 (1964) (first amendment requires at least recklessness to hold media liable for defamation of public official).

Extending these principles to Falwell's diversity action against *Hustler* for intentional infliction of emotional distress, the Supreme Court struck down a jury's award of compensatory and punitive damages. See *Hustler Magazine v. Falwell*, 108 S. Ct. 876, 878-89, 883 (1988). Falwell's libel claim had failed because the jury found the parody ad could not reasonably be understood as describing real events. See *id.* at 878. In the Court's opinion, this finding belied knowing or reckless misconduct on *Hustler's* part, and the first amendment, which gives speech about public figures "breathing space," therefore precluded holding *Hustler* liable in damages for its publication of the ad under the theory of intentional infliction of emotional distress as well. See *id.* at 880, 882-83.

508. See *New York Times Co. v. Roxbury Data Interface, Inc.*, 434 F. Supp. 217, 223 (D.N.J. 1977) (absence of market effect presumed for noncompetitor). Interestingly, however, no such presumption was necessary to reach the result in this case. The alleged infringer created an index that could not be used without reference to the original index allegedly infringed. See *supra* note 277. Therefore the court found that the secondary index was more likely to augment than to impair the market for the original. See *Roxbury Data*, 434 F. Supp. at 223-24.

ket effect; it is enough if it usurps a *potential* market. If the infringing work serves as a market substitute for the original and thereby diminishes sales, or if it is likely to diminish future sales in reasonably foreseeable markets as yet unexploited, those facts should weigh against fair use, at least to the extent that they can reasonably be quantified. But the diminution in sales must come from fulfillment of the demand for the original, not from criticism. A "devastating critique [may diminish] sales by convincing the public that the original work was of poor quality,"⁵⁰⁹ but that does not make the criticism unfair.

By focusing on the impact of a user's work in meeting the demand for the original, courts can directly assess any reduction in the constitutional incentive for creativity. To determine this effect more precisely, courts can encourage litigants to address both the quantitative and qualitative aspects of the market effect by providing evidence of specific potential markets that may be affected and of the magnitude of each effect. On the basis of this evidence, courts then may determine the relative aggregate diminution in potential markets for the underlying work arising out of the accused use, which should serve as a measure of the lost incentive. Finally, by properly allocating the burden of proof, courts can ensure fairness and encourage litigants to come forward with this evidence. Perhaps then the market effect will be the most useful, as well as the most important, factor in fair use analysis.

E. *Nonstatutory Factors*

Congress has made clear, and the Supreme Court has reiterated, that the four factors specified in Section 107 are nonexclusive, and that other considerations are permissible.⁵¹⁰ Because the fair use doctrine is designed to cover unforeseeable circumstances, it is impossible even in theory to specify all considerations that might be relevant in particular cases. Courts therefore should be free to consider nonstatutory factors whenever they appear pertinent. Already, courts have discovered two factors, good faith and unpublished status, that deserve separate discussion.

1. GOOD FAITH

In *Nation Enterprises*, the majority made much of the defendant's use of a "purloined manuscript."⁵¹¹ Quoting the maxim that "[f]air

509. *Consumers Union of United States, Inc. v. General Signal Corp.*, 724 F.2d 1044, 1051 (2d Cir. 1983), *cert. denied*, 469 U.S. 823 (1984).

510. *See supra* note 121 and accompanying text.

511. *See supra* text accompanying notes 220-22.

use presupposes 'good faith' and 'fair dealing' ”⁵¹² the Court weighed the unauthorized status of *The Nation's* article more heavily than its news reporting purpose and tilted the “purpose” factor against fair use.⁵¹³

This analysis is subject to criticism on several grounds. First, from the standpoint of faithfulness to statutory language, a user's course of dealing with the holder of copyright in the underlying work has little relation to the “purpose” of the use. Second, and more important, there is little reason to infuse the doctrine of fair use with notions of commercial ethics.

Unlike the doctrine of trade secrecy,⁵¹⁴ the doctrine of fair use has no substantial basis in commercial morality. Like copyright law generally, fair use has an economic purpose. The morality *vel non* of transactions between users and copyright holders has little to do with that purpose. Indeed, the very term “fair use” is a misnomer because the doctrine, as codified today, does not focus on notions of ethics and fairness, but on market impacts and the relative public benefits of use versus incentives for creation.⁵¹⁵

The final reason for de-emphasizing questions of good or bad faith in copyright cases is the division of labor between state and federal courts. Bad faith may be relevant in claims of unfair competition under state law,⁵¹⁶ but copyright law condemns unauthorized copying whether done in good faith or bad. Indeed, courts have found that state claims based on unfair competition survive preemption by copyright law precisely because those state claims involve additional elements of misrepresentation, deception, or bad faith that are not required for copyright liability.⁵¹⁷ Any consideration of bad faith

512. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 562-63 (1984) (quoting *Time Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, 146 (S.D.N.Y. 1968) (quoting Schulman, *Fair Use and the Revision of the Copyright Act*, 53 IOWA L. REV. 832 (1968))).

513. *See id.*

514. *See Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481-82 (1974) (twin purposes of trade secret law are to encourage innovation and to maintain standards of commercial ethics). Behind simplistic notions of commercial morality, however, weightier principles of policy and economics lurk. *See id.* at 485-87. The Court stated that preemption of trade secret law would encourage industrial self-help and cause unnecessary investment in physical security, greater restriction on employee mobility, limits on employees' access to knowledge, and reluctance to license trade secrets. In turn, all these effects would impede dissemination of knowledge and would impair employee mobility and a free market in technology. *Id.*

515. Although Congress referred to the fair use doctrine as an “equitable rule of reason,” history shows that from the beginning it has been an accommodation between conflicting statutory policies that is based more on economics and the needs of the marketplace than on notions of fairness. *See supra* note 6.

516. *See generally* 2 J. MCCARTHY, *supra* note 431, § 23.32, at 104-06.

517. *See, e.g., Donald Frederick Evans & Assocs., Inc. v. Continental Homes, Inc.*, 785 F.2d 897, 913-14 (11th Cir. 1986) (misrepresentation by builder that his homes, designed in

claims in the context of a fair use defense to a copyright infringement action therefore would overlap the adjudication of state unfair competition claims and might strengthen arguments that federal copyright law is preemptive. Thus excessive attention to bad faith in federal copyright litigation would not only defocus copyright doctrine, but might well undermine claims of bad faith in state courts.

In any event, the *Nation Enterprises* Court's reference to good faith and morality was misguided because the case that it cited, *Time Inc. v. Bernard Geis Associates*,⁵¹⁸ is but weak authority for its conclusion on this point, as the dissenters correctly noted.⁵¹⁹ In *Bernard Geis*, the author of the accused work had abused a position of trust to make copies of the original work,⁵²⁰ and yet the court found his use fair, based on other factors.⁵²¹ In contrast, Navasky of *The Nation* only received his copy of Ford's manuscript from an anonymous source; he did not make it himself.⁵²²

Lower courts have been more cautious in addressing the issue of bad faith. For example, for reasons of policy, both the Second and Ninth Circuits have rejected claims that a user who borrows after being refused permission is ipso facto acting in bad faith.⁵²³ In the words of the Second Circuit, defendants "should not be penalized for

part from floor plans copied without authorization, were the same as those built from authorized plans of plaintiff/architect actionable as unfair competition; state claim not preempted under 1976 Act); *Roy Export Co. Establishment of Vaduz, Liechtenstein v. Columbia Broadcasting Sys., Inc.*, 503 F. Supp. 1137, 1151-52 (S.D.N.Y. 1980) (1909 Copyright Act condemns infringement, even if done in good faith, but New York unfair competition law bans "commercial immorality"; therefore, no preemption under 1909 Act.), *aff'd*, 672 F.2d 1095 (2d Cir.), *cert. denied*, 459 U.S. 826 (1982).

518. 293 F. Supp. 130 (S.D.N.Y. 1968).

519. *See Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 593 & n.17 (1985) (Brennan, J., dissenting).

520. Without authorization, he had surreptitiously taken photographs of his employer's copy of the famous Zapruder film of President Kennedy's assassination. Then, after his repeated requests to use the film had been denied, he had charcoal sketches made of certain frames, which he published in a book criticizing the official report on the assassination. *See Bernard Geis*, 293 F. Supp. at 133, 135-36, 138-39.

521. *See id.* at 146. Despite an "initial reluctance" stemming from the defendant's "deliberate appropriation," the court held his use fair and granted him summary judgment. *See id.* Among other things, the facts that published copies of the frames were available, that the defendant had offered all profits from his use as a license fee, and that he had probably acted on advice of counsel, moved the court to overcome its "initial reluctance" on this point. *See id.* The parallel to *Nation Enterprises*, also involving presidential events of great public importance, is striking.

522. *See Nation Enters.*, 471 U.S. at 543.

523. *See Maxtone-Graham v. Burtchaell*, 803 F.2d 1253, 1264 (2d Cir. 1986), *cert. denied*, 107 S. Ct. 2201 (1987); *Fisher v. Dees*, 794 F.2d 432, 436-37 (9th Cir. 1986). *But cf. Roy Export Co. Establishment of Vaduz, Liechtenstein v. Columbia Broadcasting Sys. Inc.*, 503 F. Supp. 1137, 1146-47 (S.D.N.Y. 1980) (finding bad faith, as additional factor tending to negate fair use, based on use after repeated refusals of requests for license, acquisition of authorized

erring on the side of safety" and asking for permission before proceeding.⁵²⁴ This rationale applies a fortiori to such traditionally favored uses as parody, criticism, and comment, for which permission is not likely to be forthcoming. As the Ninth Circuit sagely observed, "Even though such gestures are predictably futile, we refuse to discourage them."⁵²⁵

Yet whatever their validity, claims of bad faith have little place in the statutory structure built by Congress. The purpose of a use is none the less news reporting, parody, or criticism because the user is a scoundrel. Some very important works of authorship owe their existence to unpleasant people.⁵²⁶ Unpleasant conduct, however, is peripheral to the concerns of copyright law. Accordingly, bad faith should be considered, if at all, as a separate nonstatutory factor and given relatively little weight.

2. UNPUBLISHED STATUS

In *Nation Enterprises*, the Supreme Court described the unpublished status of Ford's autobiography as "a critical element of its 'nature.'"⁵²⁷ Although the Court's concern with unpublished works is well-founded,⁵²⁸ the unpublished status of an original work is better considered as a separate factor, rather than as part of the "nature of the copyrighted work."

If considered as part of the nature of the work, unpublished status is likely to subsume the primary consideration—the position of the work on the spectrum between fact and fiction⁵²⁹—a consideration that has independent importance for the fair use calculus. The borrowed work's position on that spectrum should not be so submerged because that position directly implicates the fundamental policies that underlie fair use doctrine. If a work is primarily factual, it should admit a broad scope of fair use in order to encourage the use and

copy by misrepresentation, and defendant's violation of its own and industry's guidelines.), *aff'd*, 672 F.2d 1095 (2d Cir.), *cert. denied*, 459 U.S. 826 (1982).

524. *Burtchaell*, 803 F.2d at 1264.

525. *Fisher*, 794 F.2d at 437. A more interesting question arises when the accused use constitutes a breach of contract—for example, when a use is in excess of limitations in a license agreement. Even in such cases, however, there appears to be little reason to deny the defendant the benefit of a fair use defense by calling the breach bad faith and giving it significant weight in the fair use calculus. If the defendant has failed to honor a private bargain, he should be liable only for breach of contract unless that failure offends copyright policy.

526. *See generally*, 1 J. BOSWELL, *THE LIFE OF SAMUEL JOHNSTON*, L.L.D. (1924).

527. *See Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 564 (1985); *supra* note 225 and accompanying text.

528. *See supra* Section IV(B).

529. *See supra* text accompanying notes 291-94, 374-78.

dissemination of information. If it is primarily creative, the scope of fair use should be narrower in order to protect the author's creative expression. These considerations retain their force regardless of publication, but simplistic "presumptions" against prepublication fair use would obliterate them.⁵³⁰

More important, the significance of unpublished status itself may depend on the position of the copyrighted work on the spectrum of fact and fiction. As the Supreme Court noted in *Nation Enterprises*, the special deference due unpublished works derives in part from notions of privacy and an individual's right *not* to speak.⁵³¹ These policies are at their zenith in the realm of private letters,⁵³² autobiographical works, and the like—all of which lie somewhere in the middle of the spectrum from fact to fiction. They have lesser applicability, however, to works at either end of that spectrum. For example, if an author of a fantasy objects to its publication, the objection probably derives from dissatisfaction with its quality, rather than with its disclosure of private facts or personal opinions. At the other extreme, an author's refusal to publish scientific works or fact compilations is more likely to arise from concerns about quality and accuracy than from fears of invasion of privacy. Only on the middle ground, where stand semi-factual works such as autobiographies, letters, and personal papers, are concerns of privacy directly implicated.

Admittedly, these distinctions are fine. There is some basis in policy for upholding an author's right to control all types of unpublished works, for an author's exclusive control of unpublished material may lead to more refinement of the work and better expression. Yet that control also may lead to suppression, for which the only justification appears to lie in notions of privacy and first amendment values. Those values have more relevance for some types of works than for others, and this fact should be reflected in any sensitive balancing

530. Finding Jesse Jackson's speech at the Democratic National Convention "an extended piece of oratory," a court weighed its "nature" against fair use, although it had been extensively disseminated by the defendant, saying, "While the right of first publication is a very important right it is not the be all and end all of copyright protection." *Jackson v. MPI Home Video*, 694 F. Supp. 483, 490 (N.D. Ill. 1988).

531. See *supra* text accompanying notes 210, 214.

532. In *Salinger v. Random House, Inc.*, the Second Circuit considered the nature of unpublished letters of the famous author, which the defendant had quoted and paraphrased in an unauthorized biography. See *Salinger v. Random House, Inc.*, 811 F.2d 90, 97 (2d Cir.), *cert. denied*, 108 S. Ct. 213 (1987). It reviewed the Supreme Court's treatment of unpublished status in *Nation Enterprises* and noted that the "entire discussion of unpublished works conveys the idea that such works normally enjoy complete protection against copying any protected expression." *Id.* at 97. Although the Second Circuit properly considered and balanced all the four factors, it found that the second factor weighed "heavily in favor of *Salinger*." *Id.*

of fair use factors. An author's concern with putative damage to her reputation by premature publication of literary or scientific works might be satisfied if the user simply avoided attribution of authorship. But this expedient might be unsuccessful for private letters and autobiographical works, whose factual content might disclose the author's identity. Focusing exclusively upon a work's unpublished status in determining its nature would ignore these very real distinctions and treat all unpublished works alike. Accordingly, the nature of a copyrighted work should be evaluated in the traditional manner, and its unpublished status should be considered as a separate factor, to be weighed and balanced with the others.

F. *Revisiting Sony and Nation Enterprises*

How would the *Sony* and *Nation Enterprises* Courts have ruled if they had used the analytical structure suggested above? The result in *Sony* very likely would have been different, and the reasoning in *Nation Enterprises* would have changed considerably, perhaps leading to a different result.

In *Sony*, the purpose of the accused use was primarily solipsistic entertainment, with perhaps some personal education as well. There was no evidence of any use for the benefit of persons other than the copiers. Personal uses are not among those traditionally favored in fair use analysis; nor are they productive. Accordingly, in *Sony* the first statutory factor should have weighed against a finding of fair use.

The second and third factors also should have weighed against fair use. Because most of the television programs copied were fictional entertainment programs—traditionally a highly protected category—the “nature” factor should have favored the plaintiffs. The “amount taken” factor should have favored the plaintiffs because fair use rarely allows the taking of an entire work.

Under the proposed analysis, the plaintiffs would have borne the burden of proving market effect. Because the first three factors would have tilted against fair use, however, the Court should have required only a modest showing. Even in the absence of demonstrated effect, unanimity among the other factors probably should have precluded a finding of fair use. After all, if one considers the analogous situation of millions of consumers photocopying entire books for their personal libraries, it is difficult to conceive of circumstances under which such use would be fair, even if the consumers limited themselves to one reading of each copy. The only closely analogous case, *Williams &*

Wilkins,⁵³³ involved copying by research laboratory employees for professional, not personal use, and even then the finding of fair use hung by a thread.

This analysis, however, would not necessarily have required a contrary result in the *Sony* decision as a whole. The *Sony* Court could have reached the same result on the primary issue in the case, contributory infringement, by holding that authorized time-shifting was a sufficient "substantial noninfringing use."⁵³⁴ Alternatively, the Court might have honestly put its thumb on the scales in order to exorcise the specter of copyright injunctions against individual consumers. For example, it might have observed that the law should not impose liability where it cannot provide a suitable remedy and therefore might have concluded that supervening public policy considerations required a finding of fair use.

Nation Enterprises was a much closer case. The purpose of the accused use was news reporting, a traditionally favored category, so the first factor should have tilted toward fair use. Because the copyrighted work was an autobiography, it fell roughly in the center of the fact/fancy spectrum. However, this particular autobiography was of special historical importance, and arguably most of the expression that the defendant took from it verbatim was necessary to convey historical fact. Accordingly, the "nature of the copyrighted work" should have been treated as favoring fair use.

Honestly viewed, the "amount taken" by *The Nation* should have been indeterminate. Although the amount taken was qualitatively substantial, it was quantitatively negligible when compared (as it should have been) with the extensive length of Ford's autobiography. Moreover, most of the portions taken arguably constituted historical fact. Thus, the first two statutory factors should have weighed in favor of fair use, and the third should have been treated as indeterminate.

Notwithstanding the dissent's protestations,⁵³⁵ *Time's* cancellation of its prepublication excerpts did show a definite market effect. Yet the plaintiff never demonstrated the magnitude of this market effect relative to the total revenue expected from the book. Apparently the publishers had kept the initial \$12,500 installment, so, in the absence of any showing that the lost second installment of \$12,500

533. See *Williams & Wilkins Co. v. United States*, 487 F.2d 1345 (Ct. Cl. 1973), *aff'd mem.* 420 U.S. 376 (1975), discussed *supra* in Section II(B)(2)(a).

534. See *supra* notes 144-45 and accompanying text.

535. See *supra* text accompanying notes 255-56, 263.

was substantial compared to anticipated revenue from the book, the market effect should have weighed against fair use only marginally.

As for the manuscript's unpublished status, the *Nation Enterprises* Court grossly overestimated its importance under the circumstances. Although the manuscript was an autobiography—precisely the type of work that implicates privacy and the first amendment right *not* to speak⁵³⁶—its publication was imminent, and therefore there was no evidence of any real privacy interest. Similarly, the author's interest in creative control⁵³⁷ appeared weak because the entire manuscript was ready for publication and, in any event, Ford apparently had reserved no creative control over *Time's* publication of excerpts. Thus the manuscript's unpublished status, though important in theory, should not have been viewed as determinative under the facts of *Nation Enterprises*.

On balance, then, a tally of the five applicable factors should have read as follows: purpose factor for fair use, nature factor for fair use, amount taken indeterminate, market effect marginally against fair use, and unpublished status indeterminate. Under these circumstances, the Court should have refused to find infringement solely on the basis of the 300 words admittedly taken verbatim and, like the dissent, should have considered the summaries and paraphrasings in *The Nation's* article.⁵³⁸

Consideration of the nonverbatim borrowings, however, would have influenced only the "amount taken" factor. Even if those borrowings had been close enough to Ford's original expression to constitute infringement in the absence of fair use, the tally of factors still would have favored fair use, although only marginally. Perhaps the Court then might have properly ruled against fair use by relying on importance of the market effect, which tilted against fair use. Yet the relative magnitude of the market effect, and consequently the impact on the copyright incentive, seemed anything but conclusive in this case. Moreover, given the public importance of copyrighted work and the historical value of its content, there seems to have been plenty of justification for weighing the "purpose" and "nature" factors heavily in this case, without in the least creating a "public figure exception to copyright" in general.⁵³⁹ Accordingly, although either outcome would have been supportable, a finding of fair use seems preferable under the facts of *Nation Enterprises*.

536. See *supra* text accompanying notes 531-32.

537. See *supra* note 58 and text accompanying note 209.

538. See *supra* note 238 and accompanying text.

539. See *supra* text accompanying note 216.

VII. CONCLUSION

Congress performed a noble experiment in passing Section 107 of the Copyright Act of 1976. It attempted to distill an amorphous and unmanageable body of case law into four specific analytical factors, while allowing others to be considered as well. It did not attempt to quantify the unquantifiable by imposing rules, standards, or presumptions. Instead, it fractionalized the witches' brew into four elixirs in the hope that the courts would partake of them, in appropriate proportions, and achieve greater wisdom. Undoubtedly Congress hoped its refinement of the brew would assist decisionmaking, facilitate judicial review, reduce uncertainty, and perhaps ultimately produce a workable set of standards.

This noble experiment can succeed only if courts respect the congressional mandate. Because consideration of the four specific factors is mandatory, courts should analyze each of them in every fair use case, even if only in a single sentence. To assist in clarifying and simplifying the law, they should keep the four factors analytically distinct and examine separately such additional considerations as bad faith and unpublished status. Finally, and most important, courts should explicitly weigh and balance the four factors, together with any additional factors that they find relevant, both to reach a reasoned conclusion in each case and to provide an explicit basis for comparing fair use decisions based upon differing facts.

There is no good reason for courts to avoid this task; nor is there reason to fear that faithfulness to congressional intent will distort the doctrine of fair use. The four elixirs can be combined in any proportions, and additional spice can be added, so that courts may mix and season them to taste, consistently with both copyright policy and pre-existing law. Failure to adhere to Congress' plan—so well illustrated by the Supreme Court's *Sony* and *Nation Enterprises* "presumptions"—will only sow confusion and uncertainty in the lower courts.

Yet despite the false start in *Sony* and *Nation Enterprises*, the prospects for clarifying fair use in the lower courts are good. For the most part, the federal courts have been diligent in observing the congressional mandate, and their efforts are bearing fruit. If this process continues, perhaps some day the doctrine of fair use will no longer be "the most troublesome in the whole law of copyright."⁵⁴⁰

540. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 475 (1984) (Blackmun, J., dissenting) (quoting *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661, 662 (2d Cir. 1939)).