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Supreme Court and Second Circuit Issue Conflicting Messages on Fair Use Doctrine

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When determining whether an unauthorized use of a copyrighted work constitutes a fair use (and thus relieves a secondary user from liability for copyright infringement), courts consider four factors enumerated in Section 107 of the Copyright Act of 1976.[1] In the span of a single week, the U.S. Supreme Court and the U.S. Court of Appeals for the Second Circuit each issued copyright decisions, sending mixed messages on the proper analytical framework for fair use cases.

In *Google LLC v. Oracle America, Inc.*, the Supreme Court held that Google's unauthorized use of declaring computer code is a fair use, taking a broad view of transformativeness and a narrow interpretation of market harm.[2]

In *The Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith*, the Second Circuit took the converse approach, relying on a narrower view of transformativeness and a broader conception of market harm to find that Andy Warhol's unauthorized use of a photograph to create subsequent artworks was not a fair use.[3]

Though each court alludes to confining its analysis to the particular categories of works that were under scrutiny, it remains unclear whether and how each decision will affect future fair use cases, particularly those relating to works in different forms or media that fall along the spectrum between declaring computer code and photographic works.

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BACKGROUND

Google LLC v. Oracle America, Inc.

Sun Microsystems (predecessor to Oracle) created the Java SE platform, which includes an application programming interface ("API") that enables developers to use the Java coding language to instruct computers to perform specific tasks. In 2005, Google sought a license from Sun Microsystems in connection with its efforts to build the Android software platform. After failing to agree

to commercial terms, Google copied approximately 11,250 lines of declaring code from the API, using this code without alteration in the Android software platform so as to allow programmers familiar with Java to work more easily with Android. In 2010, Oracle purchased Sun Microsystems and filed a copyright and patent infringement lawsuit against Google.

After years of protracted litigation, a jury in the U.S. District Court for the Northern District of California found that Google's use of the declaring code constitutes a fair use. The U.S. Court of Appeals for the Federal Circuit reversed the district court, finding that "[t]here is nothing fair about taking a copyrighted work verbatim and using it for the same purpose and function as the original in a competing platform."[4]

The Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith

In 1981, Lynn Goldsmith took portrait photographs of the musical artist, Prince. One of Goldsmith's photographs was later licensed to *Vanity Fair*, for use by Andy Warhol as a reference work for an illustration Warhol was creating for the magazine. In addition to the illustration commissioned by *Vanity Fair*, Warhol went on to create 15 additional silkscreen artworks based on Goldsmith's photograph. Goldsmith learned of Warhol's additional works in 2016 and, in 2017, the Andy Warhol Foundation filed for a declaratory judgment of non-infringement, or in the alternative, fair use. Goldsmith countersued for copyright infringement.

In 2019, the U.S. District Court for the Southern District of New York granted summary judgment for the Andy Warhol Foundation on its fair use claim. The district court reasoned that the Warhol works were transformative, that Warhol removed nearly all of the protectable elements from Goldsmith's photograph when creating his works, and that the Warhol works are not market substitutes that have harmed (or had the potential to harm) the market for Goldsmith's photograph.[5]

FAIR USE ANALYSIS

A closer look at the Supreme Court and Second Circuit's analyses of the first and fourth fair use factors – purpose and character of the use and the effect of the use on the market for the original, respectively – demonstrates the mixed messages sent to copyright litigants.

Purpose and Character of the Use

The first factor of the fair use analysis considers how the secondary work uses the original work, the secondary user's purpose for using the original work, and whether the use is commercial in nature.[6] Over the past 25 years, a significant aspect of this inquiry has been to consider whether the secondary work is transformative in nature – whether the secondary work alters the copyrighted work with a "new expression, meaning, or message."[7]

In *Google*, the Supreme Court took a broad view of transformativeness, focusing on the value that Google has contributed to the broader market through its use of the declaring code.

The *Google* Court acknowledged that Google copied the declaring code to deploy it for the same purpose that Oracle used the code. However, instead of construing Google's use to have the same meaning or message, the Supreme Court found that Google's use was transformative because it offered programmers a tool for creating additional software programs, themselves copyrighted works.

The Supreme Court also noted that Google used the declaring code in a new and different computing environment (mobile, rather than desktop). Use of a coding language that programmers were already familiar with (as opposed to creating its own declaring code) facilitated the creation of new works and the growth of the broader market.

In contrast, the Second Circuit in *Warhol* took a much narrower view of transformativeness, criticizing the district court for focusing too heavily on a subjective evaluation of the underlying message of Warhol's works.

The Second Circuit resisted a broad reading of its prior fair use jurisprudence, explaining that the mere alteration or recasting of a copyrighted work with a new aesthetic is not sufficient to deem the secondary work transformative in nature. Instead, the secondary work must be reasonably perceived as adding something "fundamentally different and new," serving "an entirely distinct artistic purpose . . . entirely separate from its source material."[8]

The Second Circuit found that Warhol's works are adaptations of Goldsmith's photograph, imposing Warhol's style but retaining "essential elements

of the Goldsmith Photograph without significantly adding to or altering those elements." Goldsmith's photograph remained a "recognizable foundation" upon which Warhol's works were built.[9]

Effect of the Use Upon the Potential Market for or Value of the Copyrighted Work

Another critical factor in the Supreme Court and Second Circuit's fair use analyses was the effect of the use upon the potential market for or value of the copyrighted work.[10]

When considering the effect of Google's copying on the market for Oracle's declaring code, the Supreme Court weighed Oracle's potential loss of revenue, the source of the loss, and the public benefits that the copying could generate.

The Supreme Court found that Google's use of the declaring code did not have a meaningful effect on the market for Java SE, emphasizing that the jury could have viewed Android and Java SE as two distinct markets. The *Google* Court noted that Oracle had struggled to successfully enter into the mobile phone market and emphasized the difference between Google's Android platform and the other products in which Oracle had licensed its declaring code.

The Supreme Court also expressed concerns that allowing Oracle to enforce its copyright could result in public harm, creating "a lock limiting the future creativity of new programs" that "would interfere with, not further, copyright's basic creativity objectives."[11] Because many programmers are accustomed to Oracle's declaring code, licensing Oracle's code could have become a key step in enabling companies to develop efficiently. These additional transaction costs could obstruct the pace of development.

In *Warhol*, the Second Circuit found that Warhol's works and Goldsmith's photograph occupied different markets for direct sales, but determined that Warhol's works usurped the market for derivatives of Goldsmith's photograph.

The Second Circuit noted the existence of a market for licensing photography for the purposes of creating stylized derivatives, and suggested that Warhol's unauthorized use of Goldsmith's photograph deprived Goldsmith of these licensing opportunities.

The Second Circuit also expressed concerns that permitting a fair use in this context would cause broader market harms, as it could deter artists from creating future works by lowering the value proposition that they can derive from their work product.

OTHER FAIR USE FACTORS

The Supreme Court and Second Circuit also approached the other fair use factors – the nature of the copyrighted work and the amount and substantiality used in the secondary work – from differing perspectives.

The Supreme Court pointed to the declaring code's status as a standard language for programmers and its capacity to unlock future creativity to determine that the declaring code is further from the core of copyright than most computer programs, and that the amount copied was appropriate for the transformative purpose for which it was used.

The Second Circuit noted that Goldsmith's photographs were creative, unpublished works, and this factor favored Goldsmith regardless of whether Warhol's use was transformative. The Second Circuit also contested the Andy Warhol Foundation's claims that Warhol had stripped Goldsmith's photograph of its protectable elements when creating his works (e.g., by removing much of the lighting and other subtleties), observing that the "essence" was copied because Goldsmith's exact photograph was used, and is recognizable in Warhol's works.[12]

POTENTIAL IMPLICATIONS

These decisions have various implications, particularly for defendants who may wish to avail themselves of a fair use defense.

- *Unclear precedential effect for other copyrighted works.* While the Supreme Court's precedent is binding on all lower federal courts, it remains unclear whether the Supreme Court's rationale will be largely confined to the fact-specific context of declaring code. At the end of its opinion, the Supreme Court emphasized that it is not overturning or modifying its earlier fair use cases, explaining that the primarily functional nature of computer programs presents challenges for applying traditional copyright concepts. Fair use has always been a highly fact-specific inquiry, but these comments suggest that the Supreme Court's reasoning may

be more relevant for fair use cases involving software rather than works in other forms or media.

- *Ambiguity around transformativeness*. The *Warhol* case indicates a departure from the breadth of the Second Circuit's 2013 holding in *Cariou v. Prince*, in which the Second Circuit found Richard Prince's artworks to be transformative because they manifested a different aesthetic from the copyrighted photographs on which they were based.[13] The *Warhol* court emphasized that *Cariou* is a "high-water mark" for transformative works,[14] suggesting that the Second Circuit may continue to analyze future fair use cases in a more constrained manner.

  In contrast, the Supreme Court's transformativeness analysis focused on the societal contribution made by the secondary work, rather than requiring the secondary work to serve a distinct purpose. It remains unclear whether and how the Supreme Court's decision will affect the Second Circuit's analytical framework, particularly in the context of copyrighted works that do not serve an inherently functional purpose.

- *Role of the secondary user's intent in fair use analysis.* The Second Circuit de-emphasized the importance of the artist's intent or the work's meaning in the fair use analysis, pointing to the need for an objective analysis of how the secondary work uses the copyrighted work. According to the *Warhol* court, determinations of an artist's intent or a work's meaning are the province of art critics, rather than judges.

  The Supreme Court took a different approach in *Google*, suggesting that Google's intent to use code that programmers could easily understand was a justification for the copying. In describing existing fair use principles, the Supreme Court also mentioned that an artistic painting that "precisely replicates" a copyrighted advertising logo may be a transformative fair use if the use was made to comment about consumerism.[15] While not central to the *Google* holding, this example could be construed to support an argument that precise copying does not preclude a finding of transformativeness, if the secondary user intends to convey a different message from the original work, an approach seemingly inconsistent with the *Warhol* decision.

- *Market harm*. Both decisions expressed concern about incentives for future creation, but from different perspectives. The Supreme Court indicated that giving a copyright holder monopoly power to control subsequent use of its work might obstruct creativity that builds on the copyrighted work, but noted that public benefit considerations may not always be relevant to a fair use analysis.

  By contrast, the Second Circuit focused on public benefit from a different angle, reasoning that failure to protect the copyright holder's licensing market could deter creators from innovating in the first place. Whether the existence or absence of a licensing market is likely to impede innovation may be highly dependent on the particular category of copyrighted work and the role it serves in the broader social and cultural marketplace.

- *Implications of the secondary user's good (or bad) faith*. Warhol created the first work in his Prince series pursuant to a license that *Vanity Fair* obtained from Goldsmith and proceeded to create 15 original works beyond the scope of the license. Google used Oracle's declaring code after failed attempts at negotiating a license. These contexts raise questions as to whether the secondary user's good (or bad) faith should be weighed as part of the fair use analysis. While the secondary user's good faith is not an enumerated factor in a fair use analysis (and the *Google* decision expressly declined to say whether good faith is a helpful inquiry to consider, while hinting it is not), the existence of the limited license or prior negotiations could suggest that there is an existing licensing market for the creation of derivative works, which would weigh against a finding of fair use.

  On the other hand, failed negotiations could indicate that the secondary work would not have existed absent the availability of fair use.

- *Equitable remedies and implications for original works*. In dicta, the *Warhol* court indicated that a secondary work's role in serving the public interest may

be relevant in the context of determining equitable remedies, such as injunctions against distribution or orders to destroy infringing works. A concurrence by Judge Jacobs raised questions about the decision's implications for the collectors and museums who hold the original Warhol works.

While equitable remedies were not sought in this case, the effect of a finding of infringement on the resale market for the original works remains uncertain.

This issue was not discussed in the *Google* case, though this could be partially attributed to the fundamental differences between works of visual art (in which the resale market is driven by the limited availability of originals) and computer code (which can be widely reproduced without losing its value).

Notes

1. 17 U.S.C. § 107.
2. No. 18-956, slip op. (U.S. 2021).
3. No. 19-2420-cv, 2021 WL 1148826 (2d Cir. Mar. 26, 2021).
4. No. 18-956, slip op. at 6 (U.S. 2021) (quoting *Oracle America, Inc. v. Google LLC*, 886 F.3d 1179, 1210 (Fed. Cir. 2018)).
5. No. 19-2420-cv, 2021 WL 1148826, at *3 (2d Cir. Mar. 26, 2021).
6. 17 U.S.C. § 107(1).
7. *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013) (quoting *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994)).
8. No. 19-2420-cv, 2021 WL 1148826, at *7-8 (2d Cir. Mar. 26, 2021).
9. *Id*. at *9.
10. 17 U.S.C. § 107(4).
11. No. 18-956, slip op. at 34 (U.S. 2021).
12. No. 19-2420-cv, 2021 WL 1148826, at *12 (2d Cir. Mar. 26, 2021).
13. *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013).
14. No. 19-2420-cv, 2021 WL 1148826, at *5 (2d Cir. Mar. 26, 2021).
15. No. 18-956, slip op. at 25 (U.S. 2021) (citing 4 Nimmer on Copyright § 13.05[A][1][b]).

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