

Bills Committee on the Copyright (Amendment) Bill 2014

Copyright Cases Illustrating Fairness Assessment

Introduction

At the meeting on 17 July 2014, Members requested the Administration to provide information on precedent cases illustrating the factors considered by the court when determining whether the dealing with a work was fair dealing or fair use. This paper provides the information as requested.

Existing and proposed fair dealing provisions in the Copyright Ordinance

2. Under the existing Copyright Ordinance (Cap. 528), there are a number of provisions that provide for exceptions to copyright in respect of fair dealing of works for the following purposes -

- (a) research and private studies (section 38)
- (b) criticism, review and news reporting (section 39)
- (c) education (section 41A)
- (d) public administration (section 54A)

3. The Copyright (Amendment) Bill 2014 (“the Bill”) proposes to expand the existing provision in section 39 to cover uses of copyright works for the purposes of “commenting on current events” and “quotation”. It also proposes to introduce a new fair dealing provision for the purposes of “parody, satire, caricature and pastiche” in a new section 39A.

4. Regarding the existing fair dealing provisions referred to in paragraph 2(a), (c) and (d) above, the existing sections 38(3), 41A(2) and 54A(2) stipulate that -

“In determining whether any dealing with a work is fair dealing under subsection (1), the court shall take into account all the circumstances of the case, and, in particular-

- (a) *the purpose and nature of the dealing, including whether the dealing is for a non-profit-making purpose and whether the dealing is of a commercial nature;*
- (b) *the nature of the work;*
- (c) *the amount and substantiality of the portion dealt with in relation to the work as a whole; and*
- (d) *the effect of the dealing on the potential market for or value of the work.”*

5. The Bill has included a sub-section to the same effect in both the new section 39A (new fair dealing provision for the purposes of parody, satire, caricature and pastiche) and the revised section 39 (fair dealing provision expanded for the purposes of commenting on current events and quotation).¹

6. Such statutory guidance is meant to provide clarity and flexibility to the fair dealing provisions. It is for the court to carry out a fairness assessment on a use which falls under one of the fair dealing purposes to determine if it indeed constitutes a fair dealing. The assessment is necessarily very fact sensitive depending on all the circumstances of the individual case. The inclusion of a non-exhaustive list of factors would help the court in the assessment. Other factors may also be considered. The court would need to weigh all relevant factors, balance different interests and arrive at a fair result.

7. This fairness assessment approach is also adopted in the US (fair use provision) and the UK, Australia and Canada (fair dealing provisions). We illustrate below the case law in the US and in the UK.

Case law in the US

8. Section 107 of the U.S. Copyright Act 1976 provides for a general fair use exception which is not limited to specific purposes –

“the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by other means....., for purposes such as criticism, comments, news reporting,

¹ Corresponding exceptions to rights in performances in respect of the fair dealing of performances or fixations in section 241 and the new section 241A have been introduced. Same non-exclusive factors for determining fairness have been included in these provisions for the sake of consistency and clarity.

teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright”

In considering what amounts to fair use, it is expressly provided under section 107 that the following factors are relevant –

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

9. The U.S. courts have considered the effect of the four factors in various cases. According to decided cases involving parody, satire and appropriation art, in considering the purpose and nature of the dealing (paragraph 8(a)), it is important to consider whether and to what extent the new work is “transformative”, namely, whether the new work merely supersedes the original creation or adds something new, with a further purpose or different character, altering the underlying work with new expression, meaning or message². The courts appear to be generally of the view that the more transformative is the new work, the less will be the significance of other factors, such as the commercial nature of the new work, that may weigh against a finding of fair use.

10. In respect of the nature of the original work (paragraph 8(b)), a particular use is more likely to be considered fair when the copied work is factual rather than creative. The courts recognise that some works are closer to the core of intended copyright protection than others, with the consequence that it would be more difficult to establish fair use when the former works are copied.

² Campbell v Acuff-Rose Music, Inc, Supreme Court of the United States, 510, U.S. 569, 114 Ct. 1164, Blanch v Koons 467 F.3d 244 (Court of Appeals (2nd Circuit), 2006) and Cariou v Prince 714 F.3d 694 (Court of Appeals (2nd Circuit), 2013).

11. Regarding the amount and substantiality of the portion dealt with in relation to the original work as a whole (paragraph 8(c) above), this factor calls for consideration not only about the quantity of the material used, but also their quality and importance of the amount copied. Whether a substantial portion of the new work was copied “verbatim” from the underlying work is also a relevant question for considering fairness, for it may reveal a dearth of transformative character or purpose under the first factor, or a greater likelihood of market harm to the underlying work which will be discussed below.

12. As to effect of the use upon the potential market for or value of the copyright work (paragraph 8(d) above), the courts note that when a commercial use amounts to a mere duplication of the entirety of the original, it clearly supersedes the “objects” of the original and serves as a market replacement, resulting in a recognisable market harm to the original work. Not only will the extent of market harm caused by particular actions of the alleged infringers to the underlying work be considered, but also whether unrestricted and widespread conduct of the sort engaged in by the alleged infringer would result in a substantially adverse impact on the potential market for the original will also be a relevant consideration. The enquiry must take into account not only of harm to the original work but also of harm to the potential market, including market for derivative works. Hence, if the use of a copyright work in a way that substitutes for the original in the market, it will weigh against fairness.

13. We believe that the approach taken by the US courts in interpreting the fair use provision under the US Copyright Act will be of persuasive value to Hong Kong courts in considering the fair dealing provisions for various purposes. A more detailed analysis of some major US cases on fair use is set out at Annex.

Case law in the UK

14. In the UK, the Copyright, Designs and Patents Act 1988 contains a number of fair dealing provisions as copyright exceptions. The legislative language is similar to that of the equivalent fair dealing provisions of Hong Kong, except that the UK fair dealing provisions do not contain the non-exhaustive list of factors. According to the UK case law, in determining whether the use in question amounts to “fair” dealing, the court will consider all the circumstances of a case depending on the specific facts and the weighing of all relevant factors.

15. As a general guiding principle, fairness should be judged by the objective standard of whether a fair-minded and honest person would have dealt with the copyright work in the manner in which the defendant did, for the relevant purpose³. Ultimately the decision must be a matter of impression⁴.

16. Relevant factors to be taken into account in judging whether the dealing was fair have been identified in various cases decided by the UK courts, and these incorporate a number of considerations similar to the statutory factors adopted in Hong Kong and the US.

17. In *Ashdown v Telegraph Group Ltd*, the Court of Appeal cited with approval the following paragraph as a helpful summary on the test of fair dealing in the general context of section 30 of Copyright, Designs and Patents Act 1988 for criticism, review and news reporting-

“It is impossible to lay down any hard-and-fast definition of what is fair dealing, for it is a matter of fact, degree and impression. However, by far the most important factor is whether the alleged fair dealing is in fact commercially competing with the proprietor's exploitation of the copyright work, a substitute for the probable purchase of authorised copies, and the like. If it is, the fair dealing defence will almost certainly fail. If it is not and there is a moderate taking and there are no special adverse factors, the defence is likely to succeed, especially if the defendant's additional purpose is to right a wrong, to ventilate an honest grievance, to engage in political controversy, and so on. The second most important factor is whether the work has already been published or otherwise exposed to the public. If it has not, and especially if the material has been obtained by a breach of confidence or other mean or underhand dealing, the courts will be reluctant to say this is fair. However this is by no means conclusive, for sometimes it is necessary for the purposes of legitimate public controversy to make use of ‘leaked’ information. The third most important factor is the amount and importance of the work that has been taken. For, although it is permissible to take a substantial part of the work (if not, there could be no question of infringement in the first place), in some

³ *Hyde Park Residence Ltd v Yelland* [2001] Ch. 143, applied in *Newspaper Licensing Agency Ltd v Marks and Spencer plc* [2001] Ch. 257

⁴ *Hubbard v Vosper* [1972] 2 Q.B. 84 at 92-95

circumstances the taking of an excessive amount, or the taking of even a small amount if on a regular basis, would negative fair dealing.”

18. Apart from the factors described above, other relevant factors that have been identified in cases include –

- (a) the motives of the alleged infringer, for example, whether the use was merely dressed up in the guise of the permitted purpose⁵;
- (b) the purpose of the use, i.e. whether the use was necessary at all to make the point in question⁶; and
- (c) where the work was not yet published, whether the copy was obtained by the defendant by theft or other misappropriation⁷.

19. We believe that the above general principles developed by the UK case law, which include considerations similar to the four non-exhaustive factors set out for our fair dealing provisions, will continue to be of relevance in interpreting the fair dealing provisions under the Copyright Ordinance of Hong Kong.

Presentation

20. Members are invited to note the information provided in this paper.

Commerce and Economic Development Bureau
Intellectual Property Department
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⁵ Pro Sieben Media AG v Carlton UK Television Ltd [1999] 1 W.L.R. 605

⁶ Hyde Park Residence Ltd v Yelland [2001] Ch. 143

⁷ Hyde Park Residence Ltd v Yelland [2001] Ch. 143; Ashdown v Telegraph Group Ltd [2001] EWCA Civ 1142; Beloff v Pressdram [1973] 1 All E.R. 241

Major US Cases on Fair Use

*(1) Campbell v. Acuff-Rose Music, Inc.*⁸

Facts

In 1989, Campbell and others formed a popular rap music group, 2 Live Crew and wrote a parody of “Oh, Pretty Woman”. Campbell asked for permission from the copyright owner of the underlying song, Acuff-Rose for the release of the album but was refused. 2 Live Crew released records, cassette tapes and compact discs of “Pretty Woman”. Acuff-Rose sued 2 Live Crew and its record company for copyright infringement.

The court is called upon to decide whether 2 Live Crew’s commercial parody of Roy Orbison’s song, “Oh, Pretty Woman”, may be a fair use within the meaning of the Copyright Act.

Held

The court noted that the fair use doctrine “permits and requires courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which the law is designed to foster”. The task is not to be simplified with bright-lined rules but calls for case-by-case analysis. All four statutory factors are to be explored and weighed together.

(a) The purpose and character of the use

In the court’s view, the central purpose of this investigation is to see, whether the new work merely “supersede[s] the objects” of the original creation, or adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message. In other words, it asks whether and to what extent the new work is “transformative”. In this respect, the court noted that transformative use is not absolutely necessary for a finding of fair use. However, the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.

⁸ Supreme Court of the United States. 510 U.S. 569, 114 S.Ct. 1164. Decided: March 7, 1994.

(b) The nature of the copyrighted work

The court considered that some works are closer to the core of intended copyright protection than others, of which fair use is more difficult to establish when the former works are copied. In this case, the court agreed that the original creative expression falls within the core of the copyright's protective purposes. However, it considered that this fact did not help much in separating the fair use sheep from the infringing goats in a parody case, since parodies almost invariably copied publicly known, expressive works.

(c) The amount and substantiality of the portion used in relation to the copyrighted work as a whole

The court recognized that the extent of permissible copying varies with the purpose and character of the use and it will also be related to the degree to which the parody may serve as a market substitute for the original or potentially licensed derivatives.

The court agreed that this factor calls for thought not only about the quantity of the materials used, but also their quality and importance, too. Also, whether "a substantial portion of the infringing work was copied verbatim" from the copyrighted work is a relevant question, for it may reveal a dearth of transformative character or purpose under the first factor, or a greater likelihood of market harm under the fourth. The court also noted that a work composed primarily of an original, particularly its heart, with little added or changed, is more likely to be a merely superseding use, fulfilling demand for the original.

In applying such guides to parody, the court noted that parody presents a difficult case. Parody's humor, or in any event its comment, necessarily springs from recognizable allusion to its object through distorted imitation. When parody takes aim at a particular original work, the parody must be able to "conjure up" at least enough of that original to make the object of its critical wit recognizable. What makes for this recognition is quotation of the original's most distinctive or memorable features, which the parodist can be sure the audience will know. Once enough has been taken to assure identification, how much more is reasonable will depend, say, on the extent to which the song's overriding purpose and character is to parody the original or, in contrast, the likelihood that the parody may serve as a market substitute for the original.

In conclusion, the court agreed that, as to the lyrics, "no more was taken than necessary". As to the music, the court remanded to permit evaluation of the

amount taken, in light of the song's parody purpose and character, its transformative elements, and considerations of the potential for market substitution sketched under the discussion on the fourth factor.

(d) The effect of the use upon the potential market for or value of the copyrighted work

This factor requires courts to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also “whether unrestricted and widespread conduct of the sort engaged in by the defendant... would result in a substantially adverse impact on the potential market” for the original. It “must take account not only of harm to the original but also of harm to the market for derivative works”.

The court noted that when a commercial use amounts to mere duplication of the entirety of an original, it clearly “supersede[s] the objects”, of the original and serves as a market replacement for it, making it likely that cognizable market harm to the original will occur. But when, on the contrary, the second use is transformative, market substitution is at least less certain, and market harm may not be so readily inferred. Indeed, as to parody pure and simple, the court considered that it is more likely that the new work will not affect the market for the original in a way cognizable under this factor (i.e. by acting as a substitute for it).

Neither 2 Live Crew nor Acuff-Rose introduced evidence addressing the likely effect of 2 Live Crew's parodic rap song on the market for a nonparody, rap version of “Oh, Pretty Woman”. In the circumstances, the court held that it is impossible to deal with the fourth factor except by recognizing that a silent record on an important factor bearing on fair use disentitled 2 Live Crew to summary judgment.

In the circumstances, the court held that a parody's commercial character is only one element to be weighed in a fair use enquiry, and that insufficient consideration was given to the nature of parody in weighing the degree of copyright. The Court remanded the case to the lower court for further proceedings.

(2) *Suntrust Bank, as Trustee of the Stephen Mitchell trusts f.b.o. Eugene Muse Mitchell and Joseph Reynolds Mitchell (Plaintiff-Appellee) v. Houghton Mifflin Company (Defendant-Appellant)*⁹

Facts

The defendant was a publisher of a book entitled “The Wind Done Gone” which appropriated the characters, plot and major scenes from a famous book “Gone With the Wind”. All the characters in “Gone with the Wind” appeared in “The Wind Done Gone” but many of those characters were renamed. The plaintiff filed a motion for a preliminary injunction against the defendant’s publication of the book “The Wind Done Gone”. After a hearing, the District Court granted a preliminary injunction restraining the defendant from “further production, display, distribution, advertising, sale or offer for sale of the defendant’s book for infringement of the plaintiff’s copyright in “Gone With the Wind”. Whilst the defendant did not dispute that its book (i) explicitly referred to “Gone with the Wind” in its foreword; (ii) copied core characters, character traits and relationships from “Gone With the Wind”; and (iii) copied and summarized famous scenes and other elements of the plot from “Gone with the Wind”, the defendant argued that there was no substantial similarity between the two works as the characters, places and events lifted from “Gone With the Wind” were cast in a different light; strong characters from the original were depicted as weak (and vice versa) in the new book; the institutions and values romanticized in the original book were exposed as corrupt in the new book. Alternatively, it pleaded the defense of fair use as the book “The Wind Gone Done” was primarily a parody of “Gone with the Wind”. The defendant appealed against the preliminary injunction granted by the District Court.

Held

The U.S. Court of Appeal considered that there were substantial similarities between the two books. However, it vacated the injunction as it considered that based upon its analysis of the fair use factors and the Supreme Court’s decision in *Campbell*¹⁰, the defendant was entitled to a fair-use defense. The case was remanded to the District Court for consideration of the remaining claims.

⁹ United States Court of Appeals, Eleventh Circuit (268 F.3d 1257) decided on 10 October 2001

¹⁰ *Campbell v. Acuff-Rose Music, Inc.* 510 U.S. 569, 114 S.Ct. 1164

(a) The purpose and character of the use

The Court of Appeal considered that the fact that “The Wind Done Gone” was published for profit was the first factor weighing against a finding of fair use. However, the for-profit status of “The Wind Done Gone” was strongly overshadowed and outweighed by its highly transformative use of copyrighted elements of “Gone With The Wind”. According to the decision of Campbell, “[T]he more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.”¹¹ The Court of Appeal considered that a work's transformative value is of special importance in the realm of parody, since a parody's aim is, by nature, to transform an earlier work.

In analyzing the extent of “transformative use”, the inquiry is “whether the new work merely supersedes the objects of the original creation, or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.” The Court of Appeal considered that “The Wind Done Gone” was more than an abstract, pure fictional work. It was principally and purposefully a critical statement that sought to rebut and destroy the perspective, judgments, and mythology of “Gone With The Wind”. The author's literary goal was to explode the romantic, idealized portrait of the antebellum South during and after the Civil War. Where the original plot and characters were directly referred to in the new book, they were done for the purpose of serving a general attack on “Gone With the Wind”. In light of this, the Court of Appeal found it difficult to conclude that the author of “The Wind Done Gone” simply tried to “avoid the drudgery in working up something fresh.” The factor of “transformative use” certainly militates in favor of a finding of fair use.

(b) The nature of the copyrighted work

The Court of Appeal recognized that there was a hierarchy of copyright protection in which original, creative works were afforded greater protection than derivative works or factual compilations. It considered that “Gone With The Wind” was undoubtedly entitled to the greatest degree of protection as an original work of fiction. However, this factor was given little weight in parody cases “since parodies almost invariably copy publicly known, expressive works.”¹²

¹¹ Campbell, 510 U.S. at 579, 114 S.Ct. at 1171.

¹² Campbell, 510 U.S. at 586, 114 S.Ct. at 1175.

(c) *The amount and substantiality of the portion used in relation to the copyrighted work as a whole*

As to “the amount and substantiality of the portion used in relation to the copyrighted work as a whole”, the Court of Appeal commented that it was at this point that parody presents uniquely difficult problems for courts in the fair-use context, for “[parody's humor, or in any event its comment, necessarily springs from recognizable allusion to its object through distorted imitation.... When parody takes aim at a particular original work, the parody must be able to ‘conjure up’ at least enough of that original to make the object of its critical wit recognizable.]” Once enough has been taken to “conjure up” the original in the minds of the readership, any further taking must specifically serve the new work's parodic aims.

The Court of Appeal pointed out that the Supreme Court in *Campbell* did not require that parodists take the bare minimum amount of copyright material necessary to conjure up the original work. Parody “must be able to conjure up at least enough of [the] original to make the object of its critical wit recognizable.” and “Parody frequently needs to be more than a fleeting evocation of an original in order to make its humorous point.... [E]ven more extensive use than necessary to conjure up the original would still be fair use, provided the parody builds upon the original, using the original as a known element of modern culture and contributing something new for humorous effect or commentary.” It further commented that a use does not necessarily become infringing the moment it does more than simply conjure up another work. Rather, “[o]nce enough has been taken to assure identification, how much more is reasonable will depend, say, [1] on the extent to which the [work's] overriding purpose and character is to parody the original or, in contrast, [2] the likelihood that the parody may serve as a market substitute for the original.” As to the first point, it was manifested that the purpose of “*The Wind Done Gone*” was to parody “*Gone With The Wind*”. The second point indicated that any material which was suspected to be “extraneous” to the parody was unlawful only if it negatively affected the potential market for or value of the original copyright.

Being presented with conflicting and opposing arguments relative to the amount taken and whether it was too much or a necessary amount, the Court of Appeal considered that it could not determine in any conclusive way whether “the quantity and value of the materials used” were reasonable in relation to the purpose of the copying.

(d) The effect of the use upon the potential market for or value of the copyrighted work

The final fair-use factor requires the Court to consider the effect that the publication of “The Wind Done Gone” would have on the market for or value of the plaintiff’s copyright in “Gone With The Wind”, including the potential harm it may cause to the market for derivative works based on the original book. In addressing this factor, the Court of Appeal considered that the Supreme Court and other appeals Courts have made clear that, particularly in cases of parody, evidence of harm to the potential market for or value of the original copyright is crucial to a fair use determination.

As the plaintiff’ focused on the value of “Gone With The Wind” and its derivatives, but failed to address and offered little evidence or argument to demonstrate that the defendant’s book would supplant demand for the plaintiff’s licensed derivatives, and in contrast, the evidence proffered in support of the fair use defense specifically and correctly focused on market substitution and demonstrated why the defendant’s book was unlikely to displace sales of the original, the Court of Appeal concluded that the plaintiff’s evidence fell far short of establishing that the defendant’s book would act as a market substitute for “Gone With The Wind” or would significantly harm its derivatives. Accordingly, the fourth fair use factor weighed in favor of the defendant.

(3) *Leibovitz v Paramount Pictures Corporation*¹³

Facts

The defendant, Paramount Pictures, was being alleged of having infringed the copyright of a famous photograph of the actress Demi Moore taken during her pregnancy by Ms Annie Leibovitz. Ms Moore was depicted nude and with a serious facial expression. To advertise its film *Naked Gun 33 1/3: The Final Insult*, the defendant produced a poster which superimposed the main actor Nielsen's mischievous smirk face on a photo depicting a nude body of a pregnant woman which was made to imitate the aforementioned photograph. The defendant admitted that its work was modelled on Ms Moore's photograph, but argued that the work was a parody, and should be evaluated under the standards set forth in *Campbell* for determining whether it was a "fair use".

Held

The Second Circuit Court reiterated that although the statute does not specifically list "parody" among the categories of potentially fair use, the US cases have long afforded such works some measure of protection under the doctrine of fair use. Applying the established principles to the present case, the Court found that as the smirking face of Nielsen contrasted so strikingly with the serious expression on the face of Ms Moore, the advertisement might reasonably be perceived as commenting on the seriousness, even the pretentiousness, of the original and held that the balance tilted in favour of the defendant even though the poster promoted a commercial product. Hence, there was no copyright infringement. The Court analyzed the following factors for determining fair use:-

(a) *The purpose and character of the use*

The Court found that the use itself is transformative, but was also commercial in purpose in that the defendant used it to promote a movie. It concluded that "the strong parodic nature of the ad tips the first factor significantly toward fair use, even after making some discount for the fact that it promotes a commercial product".

¹³ U.S. 137 F.3d 109, decided on 19 February 1998

(b) The nature of the copyrighted work

The Court found the original work “exhibited significant creative expression” but noted that “the creative nature of an original will normally not provide much help in determining whether a parody of the original is fair use”. The Court concluded that “the second factor therefore favors [the plaintiff], but the weight attributed to it in this case is slight”.

(c) The amount and substantiality of the portion used in relation to the copyrighted work as a whole

After finding that the defendant “took more of the [original photograph] than was minimally necessary to conjure it up”, the Court noted that “the reasonableness of taking additional aspects of the original depends on the extent to which the overriding purpose and character of the copy is to parody the original and the likelihood that the parody may serve as a market substitute for the original” and thus “the approach leaves the third factor with little, if any, weight against fair use so long as the first and fourth factors favor the parodist”. As in this case the first and fourth factors favour fair use, the Court found that “the third factor does not help [the plaintiff], even though the degree of copying of protectable elements was extensive”.

(d) The effect of the use upon the potential market for or value of the copyrighted work

The plaintiff conceded that the defendant’s photograph “did not interfere with any potential market for her photograph or for derivative works based upon it”. As to the plaintiff’s argument that “the defendant has deprived her of a licensing fee by using the work as an advertisement”, the Court found that the defendant “is not entitled to a licensing fee for a work that otherwise qualifies for the fair use defense as a parody” and thus concluded that this final factor favours the defendant.

(4) *Columbia Pictures Industries, Inc., v. Miramax Films Corp.*¹⁴

Facts

The allegedly infringing materials are the posters and trailers used by the defendant in advertising a film, *The Big One*, directed by Mr Michael Moore. For the sake of simplicity, the ensuing discussion only focuses on the case of the claimed parodic use of the poster. According to the verdict, the poster of *The Big One* “features Michael Moore, wearing a black suite, white shirt, black tie, and sunglasses...”, and “Moore is standing in front of a night time New York City skyline, carrying an over-sized microphone and is smirking”. The poster also carried a tag line: “Protecting the earth from the scum of corporate America”. The defendant admitted that the advertising material was intended to be a parody to the materials used for promoting the plaintiff’s movie *Men In Black* and pleaded fair use in the infringement claim.

Held

The District Court of California found that the defendant’s advertisements cannot reasonably be perceived as commenting on or criticising *Men In Black*, and the defendant merely sought to use the plaintiffs’ advertisement as a vehicle to entice viewers to see *The Big One* in the same manner as the plaintiffs used their own advertisement to entice viewers to see *Men In Black*. The Court concluded that the defendant failed to establish the fair use defence. Hence, the Court granted a preliminary injunction in favour of the plaintiffs enjoining the defendants’ further use of the posters and trailers. The reasoning of the Court is summarised as follows:

(a) *The purpose and character of the use*

The Court concluded that “the TBO [*The Big One*] Poster merely incorporates several elements of the MIB [*Men In Black*] Poster: figures with a particular stance carrying large weapons, standing in front of the New York skyline at night, with a similar layout.” “The TBO Poster ...[is] designed solely for the purpose of attracting viewers to see *The Big One*.” The Court found that the defendant “have not created a transformative work which alters the original with new expression, meaning or message”.

¹⁴ United States District Court, C.D. California. 11 F.Supp.2d 1179. Decided: May 29, 1998.

(b) The nature of the copyrighted work

Both the defendant and plaintiff agreed that the copyright work reflects original, creative expression of the owner. The court found that this factor “tilts the scale against fair use”.

(c) The amount and substantiality of the portion used in relation to the copyrighted work as a whole

The Court found that the poster of *The Big One* is “substantially similar to the expressive ideas contained in the MIB [poster]”. It concluded that “The amount and substantiality of the portion used in relation to the copyrighted work as a whole was not reasonable. Thus, the third factor weighs against a finding of fair use.”

(d) The effect of the use upon the potential market for or value of the copyrighted work

It was noted that “Under this factor, the court must consider both the extent of market harm caused by infringing work and whether unrestricted and widespread dissemination would hurt the potential market for the original and its derivatives.” Noting the defendant’s failure in providing counter evidence to disprove market harm caused to the plaintiff, the court found that this factor “militates against a finding of fair use”.

(5) *Rogers v Koons* 960 F.2d 301 (1992)¹⁵

Facts

The defendant Jeff Koons is an accomplished visual artist who is part of a contemporary artistic movement which takes images from popular culture and “re-contextualizes” them in a work of art in an effort to convey a certain message or idea to the viewer.

Koons (a) bought a postcard reproducing a black-and-white photograph entitled “Puppies” (depicting a couple holding 8 puppies) taken by the plaintiff, (b) tore off the portion showing the plaintiff’s copyright of “Puppies” and (c) instructed his artisans to create four 3-dimensional sculptures resembling the photograph closely and have them coloured. The resulting sculpture, entitled “String of Puppies”, was displayed in a 1988 exhibition called the “Banality Show”.

Three copies of “String of Puppies” were sold to collectors for a total of \$367,000 and the fourth copy was kept by Koons. Koons' use of “Puppies” to create “String of Puppies” was not authorized by the plaintiff.

Held

The Court (Court of Appeal, 2nd Circuit) concluded that Koon’s use of “Puppies” to craft “String of Puppies” cannot be excused under the defence of “fair use” and upheld the lower court’s summary judgement that Koons infringed the plaintiff’s copyright in “Puppies”. In determining whether the fair use defence was made out, the Court considered the following four statutory factors:-

(a) The purpose and character of the use

Koons argued that his sculpture is a satire or parody of society at large which is covered by the fair use doctrine.

Before analyzing the said parody defence, the Court offered its definition of the term. It stated its understanding that parody or satire is when one artist, for comic effect or social commentary, closely imitates the style of another artist and in so doing creates a new art work that makes ridiculous the style and expression of the original.

¹⁵ United States Court of Appeals for the Second Circuit 960 F.2d 301; Decided: April 2 1992.

The Court agreed with the district court that “String of Puppies” is not a parody of the plaintiff’s work for purposes of the fair use doctrine. It stressed that although the satire need not be only of the copied work and may also be a parody of modern society, the copied work must be, at least in part, an object of the parody as otherwise there would be no need to conjure up the original work. The Court explained that this was a necessary rule, as otherwise there would be no real limitation on the copier's use of another's copyrighted work to make a statement on some aspect of society at large. It supplemented that if an infringement of copyrightable expression could be justified as fair use solely on the basis of the infringer's claim to a higher or different artistic use without insuring public awareness of the original work, there would be no practicable boundary to the fair use defense.

The Court found that even if, as argued by Koons, “String of Puppies” is a satirical critique of the materialistic society, it is difficult to discern any parody of the photograph “Puppies” itself. Coupled with the finding that Koons' copying of the photograph “Puppies” was done primarily for profit-making motives and in bad faith (evidenced by his action in tearing the copyright mark off the postcard before sending the same to the artisan), the Court found that this first factor cut against a finding of fair use.

(b) The nature of the copyrighted work

The Court found that as “Puppies” was creative and imaginative and the plaintiff Rogers who made his living as a photographer hoped to gain a financial return for his efforts with this photograph, this factor weighed against a finding of fair use.

(c) The amount and substantiality of the portion used in relation to the copyrighted work as a whole

The Court found that the essence of the plaintiff’s photograph was copied nearly in toto which was much more than would have been necessary even if the sculpture had been a parody of plaintiff's work. Moreover, as the Court has already determined that “String of Puppies” is not a parody of the plaintiff’s work, Koons cannot avail themselves of this heightened tolerance under a parody defense. As such, this factor tilted against Koons.

(d) The effect of the use upon the potential market for or value of the copyrighted work

The Court held that under this factor a balance must be struck between the benefit gained by the copyright owner when the copying is found an unfair use and the benefit gained by the public when the use is held to be fair. It remarked that where the use is intended for commercial gain, some meaningful likelihood of future harm is presumed.

The Court found that there was simply nothing in the record to support a view that Koons produced “String of Puppies” for anything other than sale as high-priced art and as such the likelihood of future harm to Rogers' photograph is presumed. Noting that the inquiry should consider not only harm to the market for the original photograph but also harm to the market for derivative works, the Court also found that plaintiff's market for his work has been prejudiced. This factor weighed against Koons.

Weighing the factors together, the Court concluded that Koons' use of the photograph does not constitute fair use.

(6) *Harper & Row, Publishers, Inc. et al v. Nation Enterprises et al*¹⁶

Facts

Former President Ford contracted with the publishers Harper & Row to publish his as yet unwritten memoirs. The agreement gave the publishers the exclusive first serial right to license prepublication excerpts. As the memoirs were nearing completion, the publishers negotiated a prepublication licensing agreement with Time Magazine under which Time was given the right to excerpt 7,500 words from Mr. Ford's account of his pardon of former President Nixon. Shortly before the Time article's scheduled release, an unauthorized source provided The Nation Magazine with the unpublished Ford manuscript. Working directly from this manuscript, an editor of The Nation produced a 2,250-word article, at least 300 to 400 words of which consisted of verbatim quotes of copyrighted expressions taken from the manuscript. It was timed to “scoop” the Time article. As a result of the publication of The Nation's article, Time cancelled its article and refused to pay the licence fee to the publishers. One of the issues for consideration by the court was whether the use of the verbatim quotes by the Nation Magazine constituted fair use under section 107 of the Copyright Act.

Held

The Supreme Court of US quoted the following from the House Report in illustrating that the four factors set out in section 107 were not meant to be exclusive—

“The fair use 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”.

On the four factors, the court found that –

(a) *The purpose and character of the use*

The fact that a publication was commercial as opposed to nonprofit was a separate factor that tended to weigh against a finding of fair use. “Every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright.” However, the crux of the profit/nonprofit distinction was not whether the sole motive of

¹⁶ Supreme Court of the United States 471 US 539; Decided: May 20 1985

the use was monetary gain but whether the user stood to profit from exploitation of the copyrighted material without paying the customary price.

Also relevant to the “character” of the use was “the propriety of the defendant’s conduct. Fair use presupposed “good faith” and “fair dealing”.

It was true that news reporting was the general purpose of The Nation's use. While there might be a greater need to disseminate works of fact than works of fiction, the Nation’s taking of copyrighted expressions exceeded that necessary to disseminate the facts. Its unauthorized use of the not yet disseminated manuscript had not merely the incidental effect but the *intended purpose* of supplanting the copyright holders’ commercially valuable right of first publication.

(b) The nature of the copyrighted work

The law generally recognized a greater need to disseminate factual works than works of fiction or fantasy. However, even within the field of factual works, there could be gradations as to the relative proportion of fact and fancy. The extent to which one must permit expressive language to be copied, in order to assure dissemination of the underlying facts, would thus vary from case to case.

The fact that a work was not yet published was a key, though not necessarily determinative, factor tending to negate a defence of fair use. Under ordinary circumstances, the author's right to control the first public appearance of his not yet disseminated expression would outweigh a claim of fair use.

In this case, the copyright holder had a keen interest in maintaining confidentiality. As the Nation’s use of the materials clearly infringed the copyright holder’s interests in confidentiality and creative control, such use could hardly be characterized as “fair”.

(c) The amount and substantiality of the portion used in relation to the copyrighted work as a whole

In this case, the direct taking from the manuscript, which was not yet published, constituted at least 13% of the infringing article. Although the verbatim quotes in question were an insubstantial portion of the Ford manuscript, they qualitatively embodied Mr. Ford's distinctive expression and played a key role in the infringing article. The court concluded that the portion taken was not insubstantial.

(d) The effect of the use upon potential market for or value of the copyrighted work

This is undoubtedly the single most important element of fair use. Once a copyright holder established with reasonable probability the existence of a causal connection between the infringement and a loss of revenue, the burden properly shifted to the infringer to show that this damage would have occurred had there been no taking of copyrighted expression. More importantly, to negate a claim of fair use it needed only be shown that if the challenged use should become widespread, it would adversely affect the potential market for the copyrighted work. Here, The Nation's liberal use of verbatim excerpts posed substantial potential for damage to the marketability of first serialization rights in the copyrighted work.

On the facts of the case, the court came to the conclusion that the use in question here was not fair.