

MEMORANDUM

To: Dan Fiore
From:Carolynn Beck
Date: June 4, 2008
In Re: Fair use doctrine as applied to the defendant's use of the plaintiff's copyrighted material in promoting the sale of defendant's products
File No.: 601233.010

Summary of Issues & Answers

Our client, [REDACTED] ("[REDACTED]"), is suing [REDACTED] for unauthorized use of [REDACTED] copyrighted and trademarked works (the "[REDACTED]") to promote the sale of [REDACTED] electronics. You have asked me to research the boundaries of the "fair use doctrine" as applied to [REDACTED] use of the [REDACTED] works in promoting the sale of [REDACTED] products, including images used in print ads, brochures, and photographs of posters, as well as a life size statue of a [REDACTED] character in front of [REDACTED] ticket offices. This memorandum considers whether [REDACTED] is likely to be successful if they assert a:

1. "Fair use" defense under copyright law

Short Answer: Most likely not. Although there are no cases on point, a court is not likely to consider [REDACTED] commercial use of "[REDACTED]", unaltered and in his entirety, a fair use. A court will likely view the use as an exploitation of [REDACTED] exclusive derivative rights. In addition, taking into account the public policy considerations underlying the fair use doctrine, a court is not likely to conclude that allowing this use would contribute in any way to the advancement of arts, as the Copyright Act is meant to do.

2. "Fair use" defense under trademark law

Short Answer: Most likely not. More facts are required to make a concrete conclusion. If there is evidence of bad faith on the part of [REDACTED], it is unlikely to prevail in the fair use defense. Even with no evidence of bad faith, a court is likely to find that [REDACTED] has used more than is reasonably necessary to identify [REDACTED] "[REDACTED]" product, and that [REDACTED] use of "[REDACTED]" to advertise its studio

tours will lead to consumer confusion as to endorsement.

Discussion

1. Fair Use in Copyright Law

A. Brief Description of the Fair Use Doctrine

Under common law, courts recognized that certain acts of copying were defensible as "fair use." The defense was intended to permit courts to avoid rigid application of copyright statutes in situations where it would tend to "stifle the very creativity which that law is designed to foster." This judicially-created doctrine was codified in the Copyright Act of 1976, 17 U.S.C. §107. The preamble to this section states that fair use "for purposes such as criticism, comment, news reporting, teaching . . . scholarship, or research, is not an infringement of copyright."¹ As applied in common law, the overarching consideration for this defense is whether "the Copyright Act's goal of encouraging creative and original work would be better served by allowing the use than by preventing it."²

In considering a fair use defense, the court will analyze four factors in tandem with each other in light of the purposes of copyright law to promote science and the arts.³ The factors are: (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 copy-righted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.⁴

These four factors are not exhaustive, but rather are by way of example.⁵ Thus, the analysis is done on a case-by-case basis, taking into account considerations that are relevant to the context of the case.⁶

B. The Factors

1. The Purpose and Character of the Use

The first factor focuses on whether the "new work merely supersedes the objects of the original creation, or whether and to what extent it is transformative, 'altering the original with new expression, meaning, or message.'"⁷ Central to this analysis is whether the work is transformative.⁸ If a work is clearly non-transformative, there is a strong presumption against a finding of fair use, and additional considerations, such as the commercial character of the use,

¹ 17 U.S.C. § 107 (2008).

² *Arica Inst., Inc. v. Palmer*, 970 F. 2d 1067, 1077 (2d Cir. 1992).

³ *Blanch v. Koons*, 467 F. 3d 244 (2d Cir. 2006).

⁴ *Mattel Inc. v. Walking Mt. Prods.*, 353 F. 3d 792, 800 (9th Cir. 2003).

⁵ *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 577-78 (U.S. 1994).

⁶ *Blanch v. Koons*, 467 F. 3d at 251.

⁷ *Id.*

⁸ *Castle Rock Entertainment v. Carol Publ'g Group*, 150 F. 3d 132, 141 (2d Cir. 1998).

become more relevant to the analysis.⁹ The Supreme Court and Congress have consciously avoided establishing any bright line rules with respect to categories of presumptively fair use, and thus have necessitated a case by case analysis.¹⁰

A parody that adds to the original by commenting on it or criticizing it or society at large may be considered transformative.¹¹ Similarly, district courts have concluded that film clips used in biographies can be transformative if they constitute "a combination of comment, criticism, scholarship and research" concerning a "figure of legitimate public concern."¹² In contrast, a trivia quiz book based on the TV show *Seinfeld* was not transformative because the book simply posed trivia questions based on the show, and did not attempt to "educate, criticize, parody, comment, report upon, or research *Seinfeld*, or otherwise serve a transformative purpose."¹³

In *Blanch v. Koons*, the defendant used a part of a copyrighted photo that had appeared in a fashion magazine as a component of his painting representing a commentary on consumer culture.¹⁴ Although the work was created for commercial purposes, the district court characterized this use as transformative because it "use[d] [the original] as raw material in a novel context to create new information, new aesthetics, and new insights."¹⁵

In contrast, courts are less forgiving of uses of copyrighted works that are parallel to the original purposes of the work, or that attempt to use the work to "get attention" or "avoid the drudgery in working up something fresh."¹⁶ For example, *Davis v. GAP, Inc.* involved the unauthorized use of a piece of copyrighted "eye jewelry" in a GAP clothing advertisement.¹⁷ The 2nd circuit court of appeals concluded that the use was not transformative because the eye jewelry was worn by the GAP model in the manner it was made to be worn.¹⁸ In addition, because it was being used in an advertisement, it was "at the outer limit of commercialism," and thus was less likely to be a fair use.¹⁹ Similarly, in *Rogers v. Koons*, where the defendant copied a photograph by making a sculpture of all the subjects within it, the court held that this was a non-transformative use because it "simply appropriate[ed]" the creative expression within the photograph.²⁰

⁹ *Id.* ("The question of whether a work is transformative must therefore be most decisive when answered in the negative. If a work is not transformative, 'fair use should perhaps be rejected without further inquiry into the other factors.'") (quoting *Campbell*, 114 S. Ct. at 1116).

¹⁰ *Campbell v. Acuff-Rose Music*, 510 U.S. at 577-78.

¹¹ *Campbell v. Acuff-Rose Music*, 510 U.S. at 578-80; *Mattel Inc. v. Walking Mt. Prods.*, 353 F. 3d at 801.

¹² *Elvis Presley Enters. v. Passport Video*, 357 F. 3d 896, 896 (9th Cir. 2004).

¹³ *Castle Rock Entertainment v. Carol Publ'g Group*, 150 F.3d at 143.

¹⁴ *Blanch v. Koons*, 467 F.3d at 481.

¹⁵ *Id.*

¹⁶ *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1401 (9th Cir. 1997) (quoting *Acuff-Rose* 114 S. Ct. at 1172).

¹⁷ *Davis v. Gap, Inc.*, 246 F.3d 152, 155 (2d Cir. 2001).

¹⁸ *Id.*, at 174.

¹⁹ *Id.*, at 175.

²⁰ *Rogers v. Koons*, 751 F. Supp. 474, 479 (S.D.N.Y. 1990).

The court also concluded in *Ringgold v. Black Entertainment Television, Inc.*, that the use of a poster of a copyrighted work in a sitcom as a set decoration was not transformative because it was being used for the purpose it was created for (decoration), thus superseding the object of the original. Moreover, the court noted that "just as members of the public expect to pay to obtain a painting or a poster to decorate their homes, producers of plays, films, and television programs should generally expect to pay a license fee when they conclude that a particular work of copyrighted art is an appropriate component of the decoration of a set."²¹ Additionally, in *Dr. Seuss*, the court decided that because the stanzas and illustrations that defendants used to tell the tale of O.J. Simpson mimicked Dr. Seuss' characteristic style without any critical bearing on the actual copyrighted work, this seemed like an attempt to exploit the work, and thus ". . . [cut] against the fair use defense."²²

Arguably, the use of "[REDACTED]" in [REDACTED] print ads and/or internet ads may not "supersede" the original in that [REDACTED] use of [REDACTED] in its ads is not likely to supplant the desire of consumers to watch the [REDACTED] movies. However, "the ultimate use to which the customer puts [a copyrighted work] is irrelevant" to this analysis.²³ The more important consideration is whether the secondary use is exploiting the copyrighted material without paying the customary price.²⁴ Assuming [REDACTED] use of the [REDACTED] works is an exploitation of the creative work that they would customarily pay licensing fees for, this factor may weigh in [REDACTED] favor.

Alternatively, assuming that [REDACTED] copyrights lie in the entire [REDACTED] movie, rather than the [REDACTED] character, [REDACTED] may argue that the use is "transformative" because they have taken individual images and/or short clips out of the movie and placed them in a different context (i.e. an advertisement rather than a movie). This would distinguish the facts in our case from the facts in *Davis*, as the court found it significant that the entire copyrighted work was placed in the ad for GAP clothing.²⁵ In *Elvis Presley Enters.*, however, the defendant used movie clips of Elvis Presley in its biographical work, which was a different context from the entertainment context of the copyrighted work.²⁶ The court noted, however, that the "first factor is a close issue . . . [because] . . . [defendant's] use of many of the television clips is transformative because they are cited as historical reference points . . . [b]ut many of the film clips seem to be used in excess of this benign purpose and instead are simply rebroadcast for entertainment purposes that Plaintiffs rightfully own."²⁷ Similarly, if [REDACTED] is using clips from a movie to advertise its televisions, it could be argued that because putting [REDACTED] image in the commercials also serves an entertainment purpose, this factor should weigh in our favor. On the other hand, still images from the movie may be a closer call.

²¹ *Ringgold v. Black Entertainment TV*, 126 F.3d 70, 79 (2d Cir. N.Y. 1997).

²² *Dr. Seuss Enters., L.P.*, 109 F.3d at 1401.

²³ *Leadsinger, Inc. v. BMG Music Publ'g*, 512 F.3d 522, 530 (9th Cir. 2008).

²⁴ *Id.*

²⁵ *Davis v. Gap, Inc.*, 246 F.3d at 175.

²⁶ *Elvis Presley Enters. v. Passport Video*, 357 F.3d 896 (9th Cir. 2004).

²⁷ *Id.*

If ██████ copyrights are in the character of ██████, ██████ use of the image and character within its ads are most definitely non-transformative. In addition, the life size sculpture in front of ██████ studios is, as in *Rogers v. Koons*, simply an appropriation of ██████ creative expression. (This argument may also be valid if ██████ rights are in the movie, but is stronger in this context.) Considering the commercial nature of the ads, this tips the scales largely in ██████ favor.

It is likely that a court will decide this factor in our favor. The images within the advertisements are not altered in any significant way, either visually or contextually. The life size sculpture does not add any creative expression to the original copyrighted work. This suggests that the use is merely a "superseding use, fulfilling demand for the original."²⁸ The ads do not add new meaning or purpose to, nor do they alter the "meaning" of or criticize any aspect of the "██████" character or movie. Arguably, the "██████" character is being used for its original purpose – entertainment – in ██████ advertisements, for the purpose of attracting the attention of "██████" fans. A court is unlikely to consider ██████ use of select scenes from movies transformative.

2. The nature of the copyrighted work

The core concern of the fair use inquiry lies in protecting originality and creativity.²⁹ Thus, it is more difficult to establish a fair use defense in the unauthorized copying of creative and fictional works than in the unauthorized copying of factual works.³⁰ Courts have consistently held that when the copyrighted work is "in the nature of an artistic creation . . . [it] falls close to 'the core of the copyright's protective purposes.'"³¹ Thus, when the copyrighted work is of such character, fair use is more difficult to establish.³²

This factor bears in ██████ favor. "██████" is indisputably a creative, fictional work.

3. The amount and substantiality of the portion used in relation to the copyrighted work as a whole

The third factor takes into account ". . . the amount and substantiality of the copyrighted expression that has been used, not the factual content of the material in the copyrighted works."³³ Thus, the relevant analysis considers whether the portion copied from the original could be considered the "heart" of the work.³⁴ This factor will be analyzed in context of the situation,

²⁸ *Campbell*, 510 U.S. at 588 (" . . . a work composed primarily of an original, particularly its heart, with little added or changed, is more likely to be merely superseding use, fulfilling demand for the original. ").

²⁹ *See, Arica Inst., Inc.*, 970 F.2d at 1077.

³⁰ *Castle Rock Entertainment v. Carol Publ. Group*, 955 F. Supp. 260, 269 (D.N.Y. 1997).

³¹ *Davis v. Gap, Inc.*, 246 F.3d 152, 175 (2d Cir. 2001); *See, also, Castle Rock Entertainment*, 150 F.3d at 143; *Ringgold v. Black Entertainment TV*, 126 F.3d at 80.

³² *See, e.g., Campbell*, 510 U.S. at 586 (noting that ". . . with . . . [creative works] . . . fair use is more difficult to establish. ")

³³ *Blanch*, 467 F.3d at 482.

³⁴ *Elvis Presley Enters.*, 357 F.3d at 896.

whether the extent of unauthorized use is consistent with or more than necessary to further the purpose and character of the use.³⁵ Where "the new user only copies as much as necessary for his or her intended use, this factor will not weigh against the new user."³⁶ This is the case even if the portion taken "is the original's 'heart.'"³⁷

In addition, the work taken, whether it is the heart of the original or not, must be considered in context of the purpose of the secondary use. In *Kelly v. Arriba Soft Corp.*, for example, the court held that this factor was neutral between the parties even though the entire copyrighted image had been copied because the copy was a thumbnail for purposes of a visual search engine.³⁸

Examples of substantial infringement include a book of trivia questions relevant to a TV show,³⁹ the use of a copyrighted pair of eye jewelry in an ad,⁴⁰ and the repeated use of clips from television appearances within a biography.⁴¹ In *Dr. Seuss Enters.*, the defendants were book publishers attempting to publish a book that copied the plaintiff's characteristic style of writing for their book on the OJ Simpson trials. Although the court did not go into extensive analysis of the third factor, the court did conclude that this factor did not support the defendant's argument that the extent of this use should be permissible under the fair use doctrine. The court also noted that because "The Cat in the Hat" was the central character in the plaintiff's copyrighted product, this was the expressive core (or "heart") of the work.⁴²

In considering this factor, it is relevant to our analysis whether Marvel has a copyright with regards to the entire "[REDACTED]" motion picture, or only to the look and appearance of the "[REDACTED]" character. Though the analysis will be similar, the scale is more likely to tip in [REDACTED] favor if the copyright is in "[REDACTED]" character and dress itself instead of in the entire motion picture.

Assuming that [REDACTED] has a copyright in the entire motion picture, however, this factor may tip in either [REDACTED] or [REDACTED] favor. Still images out of the "[REDACTED]" movie, and/or small clips of the movie may be insubstantial in comparison to the full length film. On the other hand, it is arguable that because "[REDACTED]" is the central character in this motion picture, the

³⁵ *Castle Rock Entertainment, Inc.*, 150 F.3d at 144. (Referring to *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 449-50).

³⁶ *Elvis Presley Enters.*, 357 F.3d at 896.

³⁷ *Campbell*, 510 U.S. at 589.

³⁸ *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 821 (9th Cir. 2003). See, e.g., *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1168 (9th Cir. 2007).

³⁹ *Castle Rock Entertainment*, 150 F.3d at 145.

⁴⁰ *Davis*, 246 F.3d at 175 ("In this case, [defendant's] ad presents a head-on full view of [plaintiff's] piece, centered and prominently featured. [Defendant] cannot benefit from the third factor.").

⁴¹ *Elvis Presley Enters.*, 357 F.3d at 896 ("While using a small number of clips to reference an event for biographical purposes seems fair, using a clip over and over will likely no longer serve a biographical purpose . . . Additionally, although the clips are relatively short when compared to the entire shows that are copyrighted, they are in many instances the heart of the work. What makes these copyrighted works valuable is Elvis's appearance on the shows, in many cases singing the most familiar passages of his most popular songs.")

⁴² *Dr. Seuss Enters., L.P.*, 109 F.3d at 1408.

use might go to the "heart" of the expressive work.⁴³ [REDACTED] repeated use of "[REDACTED]" images in various advertisements might also have significance, as this could hardly be considered a reasonable quantity of use in relation to the purpose of advertising its electronic goods. If [REDACTED] purpose for this copying is simply to show the quality of images that can be shown on the electronic equipment being advertised, this factor may or may not tip further in [REDACTED] favor. If the evidence shows that they are using images other than [REDACTED] for this purpose, it may be arguable that this is fair use. Based on the facts I have been given, repeated use of "[REDACTED]" in various advertisements for different types of equipment does not seem reasonably calculated to carry out [REDACTED] purposes. It seems more like an exploitation of the movie's expressive value in order to "get attention."

Similarly, if the copyright is in [REDACTED] character and dress, our case would be more analogous to *Davis*. Under that analysis, the use of [REDACTED] character as a focal point in [REDACTED] ads could be considered a "wholesale copying" of the copyrighted work. Thus, [REDACTED] would be unable to benefit from this factor.

4. The effect of the use upon the potential market for or value of the copyrighted work.

Under this factor, courts must consider the extent of market harm caused by the secondary use, and whether unrestricted and widespread dissemination would hurt the potential market for the original and derivatives of the original.⁴⁴ When the use is a mere duplication for commercial purposes, it is presumed that there is a likelihood of future harm to the original copyright holder.⁴⁵ Where, however, the use is transformative, there is no presumption of market harm. Relevant to this consideration is whether the secondary use has a different market function than the original. Under this factor, the court will consider whether the work merely "suppresses demand . . . [or] usurps it."⁴⁶ For example, even if a parody may kill demand for the original, it serves a different market function than the original. Thus, it likely to be "suppressing" demand, rather than usurping it.

Assuming [REDACTED] use of "[REDACTED]" was non-transformative and commercial, this factor is likely to weigh in [REDACTED] favor because the right to use the "[REDACTED]" character in commercials is a derivative right that [REDACTED] customarily charges a licensing fee to users for. The use of [REDACTED] in commercials exploits a derivative market that [REDACTED] has the exclusive right to develop, regardless of whether or not [REDACTED] has decided to take advantage of it.⁴⁷

⁴³ *Elvis Presley Enters.*, 357 F.3d at 896.

⁴⁴ *Campbell*, 510 U.S. at 590.

⁴⁵ *Id.* at 591.

⁴⁶ *Id.* at 592.

⁴⁷ See *Castle Rock Entertainment*, 150 F.3d at 145 (stating that "[a]lthough Castle Rock has evidenced little if any interest in exploiting this market for derivative works . . . the copyright law must respect that creative and economic choice.").

C. Conclusion

This type of use is not a parody, criticism, or commentary, as traditionally protected under the fair use doctrine. Moreover, allowing this type of use would cut against public policy. [REDACTED] is exploiting this copyrighted work without the customary compensation that copyright owners of such works would expect to receive. Allowing this type of use would disserve the goals of the Copyright Act. Not only would it deny [REDACTED] rights to its artistic expressions, allowing the unauthorized use would fail to result in any creative gains. Taking this overarching public policy into consideration, a court is more likely than not to hold that the fair use doctrine does not apply.

2. The Fair Use Doctrine Under Trademark Law

The fair use doctrine under trademark law is divided into two types of analyses: the classic fair use analysis and the nominative fair use analysis. The classic fair use defense is codified in the Lanham Act, 15 U.S.C. § 1115(b)(4).⁴⁸ This defense applies only when a trademark has ". . . both a primary meaning and a secondary meaning – and only when the mark is used in its primary descriptive sense rather than its secondary trademark sense."⁴⁹ In other words, if the trademark has a meaning outside of the reference to the plaintiff's product (e.g. VCR, while a trademark, is a descriptive term), the classic fair use defense may apply.

Some courts recognize a variation on the codified fair-use defense.⁵⁰ This variation is referred to as "nominative fair use." This defense applies to situations where a defendant uses the plaintiff's mark to describe the plaintiff's product, "even if the defendant's ultimate goal is to describe his own product."⁵¹ Oftentimes, the use is considered fair because the defendant uses the plaintiff's mark to ". . . describe the plaintiff's product because there are no other words to describe the product."⁵² This analysis has been applied in commercial situations such as when a defendant uses trademarked images of famous surfers wearing the defendant's t-shirts in their advertisements.⁵³ To establish this defense, the defendant must prove that it used the term at issue ". . . descriptively, not as a mark, fairly, and in good faith."⁵⁴ There are three requirements to consider in determining whether the nominative fair use defense applies: "(1) the product must not be readily identifiable without use of the mark; (2) only so much of the mark may be used as is reasonably necessary to identify the product; and (3) the user must do nothing that would, in

⁴⁸ *Brother Records v. Jardine*, 318 F.3d at 905 (9th Cir. 2003).

⁴⁹ *Id.*

⁵⁰ Courts in both the Second and Ninth Circuits have recognized a nominative fair use defense, though there is more case law in the Ninth Circuit supporting the analysis than in the Second circuit. *See e.g. N.Y. Mercantile Exch., Inc. v. IntercontinentalExchange, Inc.*, 389 F. Supp. 2d 527, 545 (D.N.Y. 2005); *Brother Records*, 318 F.3d at 904; *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1150-52 (9th Cir. 2002).

⁵¹ *Brother Records*, 318 F. 3d at 903.

⁵² *Designer Skin, LLC v. S&L Vitamins, Inc.*, 2007 U.S. Dist. LEXIS 19506 (D. Ariz. 2007) (Referencing *New Kids on the Block v. News America Pub., Inc.*, 971 F.2d 302, 308 (9th Cir. 1992)).

⁵³ *See, Downing v. Abercrombie & Fitch*, 265 F.3d 994, 1009 (9th Cir. 2001).

⁵⁴ *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 124 (U.S. 2004) (citing 15 U.S.C. § 1115(b)(4)).