

Richard J. Sullivan, *Circuit Judge*, joined by Dennis Jacobs, *Circuit Judge*, concurring:

I fully join the majority's thoughtful opinion and its conclusion that the Prince Series works are substantially similar to the Goldsmith Photograph and are not protected by fair use. I write separately only to highlight what I see as an overreliance on "transformative use" in our fair use jurisprudence, generally, and to suggest that a renewed focus on the fourth fair use factor, "the effect of the use upon the potential market for or value of the copyrighted work," 17 U.S.C. § 107(4), would bring greater coherence and predictability to this area of the law.

In the wake of the Supreme Court's decision in *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994), the "transformative" nature of a secondary work has become the dominant focus in determining whether that work is protected by fair use. Courts and commentators have recognized this trend and have observed that it threatens to collapse the four statutory fair use factors into a single, dispositive factor. *See, e.g., Kienitz v. Sconnie Nation LLC*, 766 F.3d 756, 758 (7th Cir. 2014) ("[A]sking exclusively whether something is 'transformative' not only replaces the list in § 107 but also could override 17 U.S.C. § 106(2), which protects derivative works."); 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.05[A][1][b] (noting that many courts' applications of the transformative use

test “are conclusory – they appear to label a use ‘not transformative’ as a shorthand for ‘not fair,’ and correlatively ‘transformative’ for ‘fair’”). Indeed, one recent empirical study found that, among a sample of 238 district and circuit court decisions, whether a secondary work was transformative correlated with the ultimate fair use outcome 94% of the time. See Jiarui Liu, *An Empirical Study of Transformative Use in Copyright Law*, 22 Stan. Tech. L. Rev. 163, 180 (2019).

This pattern is perhaps best illustrated in the district court’s opinion below. Having concluded that the Prince Series works were transformative, the district court found that the second fair use factor was neutral (despite noting that the Goldsmith Photograph was creative and unpublished, which “would ordinarily weigh in Goldsmith’s favor”) and found that the third factor weighed heavily in AWF’s favor because “Warhol transformed Goldsmith’s work into something new and different.” *Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith*, 382 F. Supp. 3d 312, 327, 330 (S.D.N.Y. 2019) (internal quotation marks omitted). But perhaps most notably, as the majority’s opinion recognizes, the district court completely dismissed evidence of harm to Goldsmith’s potential licensing and derivative markets after concluding that the Prince Series was transformative. See Majority Op. at 45–50.

Placing dispositive weight on transformative use while reducing evidence of market harm to an afterthought is difficult to square with the Supreme Court's guidance that the fourth factor "is undoubtedly the single most important element of fair use." *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566 (1985). Indeed, we have previously explained that focusing on the importance of the fourth factor "is consistent with the fact that the copyright is a commercial right, intended to protect the ability of authors to profit from the exclusive right to merchandise their own work." *Authors Guild v. Google, Inc.*, 804 F.3d 202, 214 (2d Cir. 2015) ("*Google Books*").

To be sure, some of this Court's earlier decisions suggest that the Supreme Court "retreated" from its emphasis on the fourth factor when it explained in *Campbell* that "[a]ll [four fair use factors] are to be explored, and the results weighed together, in light of the purposes of copyright," 510 U.S. at 578. *See, e.g., Blanch v. Koons*, 467 F.3d 244, 258 n.8 (2d Cir. 2006); *Castle Rock Ent., Inc. v. Carol Publ'g Grp., Inc.*, 150 F.3d 132, 145 (2d Cir. 1998). But the statements in *Campbell* and *Harper & Row* are not necessarily at odds with one another: courts can consider all four factors while still recognizing that evidence of harm to the

potential market for the original work (or derivative works based on the original, *see Campbell*, 510 U.S. at 593) should be given substantial weight.

The Supreme Court's decision in *Campbell* does not suggest otherwise. To the contrary, even though *Campbell* is recognized for crystallizing the concept of transformative use, the opinion "characterizes the first factor inquiry as subservient to the fourth." Pierre N. Leval, *Campbell as Fair Use Blueprint?*, 90 Wash. L. Rev. 597, 605 (2015). *Campbell* explained that transformative works are more likely to be fair uses *because* they are less likely to "act[] as a substitute" for or "'supersede[] the objects'" of the original work, and are therefore less likely to "affect the market for the original in a way cognizable under [the fourth] factor." 510 U.S. at 591 (quoting *Folsom v. Marsh*, 9 F. Cas. 342, 348 (No. 4,901) (C.C.D. Mass. 1841)); *see also* Leval, *supra* at 605 n.38. Moreover, *Campbell* explicitly acknowledged that the defendants in that case "left themselves at . . . a disadvantage when they failed to address the effect [of their work] on the market for rap derivatives" and remanded for further fact-finding on the fourth factor despite concluding that the defendants' secondary work was transformative. 510 U.S. at 590, 594. *Campbell* therefore does not stand for the proposition that transformative use should be the dispositive factor in the fair use inquiry; rather,

evidence of harm to the potential market for the original work (and its derivatives) is still integral to the analysis.

By returning focus to the fourth fair use factor and being particularly attentive to “whether unrestricted and widespread conduct of the sort engaged in” by an alleged infringer would adversely affect the potential market for the original work, *id.* at 590 (internal quotation marks omitted), courts can escape the post-*Campbell* overreliance on transformative use. Fortunately, several of our more recent fair use decisions have placed greater emphasis on the fourth factor. *See, e.g., Capitol Records, LLC v. ReDigi Inc.*, 910 F.3d 649, 662 (2d Cir. 2018) (describing the fourth factor as “undoubtedly the single most important element of fair use” (quoting *Harper & Row*, 471 U.S. at 566)); *Fox News Network, LLC v. TVEyes, Inc.*, 883 F.3d 169, 174, 180 (2d Cir. 2018) (finding no fair use despite concluding that the defendants’ technology “serve[d] a transformative purpose,” in part because the technology “usurped a function for which [the plaintiff was] entitled to demand compensation under a licensing agreement”); *TCA Television Corp. v. McCollum*, 839 F.3d 168, 186 (2d Cir. 2016) (recognizing that the district court improperly “disregarded the possibility of defendants’ use adversely affecting the licensing market for the [original work]”). And our sister circuits

have followed suit. *See, e.g., Dr. Seuss Enters., L.P. v. ComicMix LLC*, 983 F.3d 443, 459–61 (9th Cir. 2020) (emphasizing that the defendant did not “address a crucial right for a copyright holder – the derivative works market”); *Kienitz*, 766 F.3d at 758 (“We think it best to stick with the statutory list, of which the most important usually is the fourth (market effect).”).

This is not to suggest that the majority’s opinion runs counter to this trend. To the contrary, it properly recognizes the harm to the potential licensing markets for the Goldsmith Photograph and its derivatives, and reaffirms that the burden of proving a lack of market harm rests with the alleged infringer. *See* Majority Op. at 45–50. I write simply to stress that this renewed attention to the fourth fair use factor will ultimately better serve the purposes of copyright, which remains at its core “a commercial doctrine whose objective is to stimulate creativity among potential authors by enabling them to earn money from their creations.” *Google Books*, 804 F.3d at 223.