CLIENT ALERTS & INSIGHTS

Supreme Court's 2023 Copyright Fair Use Decision is Not a One-Hit Wonder

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The fair use defense to copyright infringement has been remastered by the Supreme Court—at least the first factor. The Supreme Court's recent decision in Andy Warhol Foundation v. Goldsmith holds that the defense does not apply to commercial copying of an original work if the copy serves the same or highly similar purpose as the original. Despite the Court's efforts to limit its holding, the decision is far from a one-hit wonder. Now more than ever, artists and others should proceed with caution when creating unauthorized derivative works, especially if they plan to commercialize them.

The case, decided on May 18, 2023, concerns a 1981 photograph of then up-and-coming musician Prince, taken by trailblazing rock-and-roll photographer Lynn Goldsmith (the "original work"), on the one hand, and a silkscreen portrait created from that photograph by Andy Warhol, the famed pop artist (the "unauthorized derivative work"), on the other hand. [143 S.Ct. 1258.] The sole question raised by the parties concerned the first fair use factor-the purpose and character of the use-and which of the parties headlines the show based on this factor.

Setting the Stage: A Brief Overview of the Facts

Following his breakthrough hit *Purple Rain*, *Vanity Fair* licensed Goldsmith's original photo of Prince for "one time" use as an "artist reference for an illustration" that would appear in its magazine alongside an article about the musician. Warhol was hired to create the illustration. In his characteristic style, Warhol took the original black-and-white photo and cropped, flattened, and colored it. When it published Warhol's resulting illustration, the magazine credited Goldsmith for the "source photograph" and paid her a $400 license fee.

After Prince's death in 2016, the Warhol Foundation (successor to Warhol, who died in 1987) licensed a different version of Warhol's Prince portrait to another magazine. (Turns out, Warhol created not just one illustration, as the license permitted, but a series of works based on Goldsmith's photograph, comprised of 16 different prints and drawings.) That time, Goldsmith was not credited or paid for the use, though the Foundation was paid $10,000 by the magazine's publisher. When Goldsmith became aware of the unauthorized use, she notified the Foundation it infringed her copyright in the original photo. In turn, the Foundation sued her for declaratory judgment of non-infringement or, alternatively, fair use.

The Opening Act: What is Fair Use?

Fair use is a defense to copyright infringement that allows one to make use of others' existing works to create new works. The Copyright Act sets out four factors to be considered in determining fair use:

(1) [T]he purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) [T]he nature of the copyrighted work;

(3) [T]he amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) [T]he effect of the use upon the potential market for or value of the copyrighted work.

[17 U.S.C. § 107.]

Although the district court found in the Foundation's favor on the first, third, and fourth factors, the Court of Appeals for the Second Circuit reversed and remanded, holding that all four factors favor Goldsmith. Only the first factor was in dispute before the Supreme Court.

The Headliner: Goldsmith Takes Center Stage

In seeking relief from the Supreme Court, the Foundation argued that Warhol's Prince portrait is "transformative" and conveys a different meaning or message-making the use fair. Specifically, it argued that, while Goldsmith's original photo portrays Prince as human, Warhol's print portrays Prince as an icon. But the Foundation's arguments did not strike a chord with the Court. Instead, the Court was concerned with the particular *use* and *the degree* of the transformation in tandem with the *commerciality* of the use. In this way, *Warhol* is a return to the Court's 1994 decision in *Campbell v. Acuff-Rose Music, Inc.* [510 U.S. 569.] The Court seemingly confirms *Campbell*'s distinction between parody (a justified use) and satire (which requires justification for borrowing). A derivative work that can reasonably be perceived to be parody, commentary, or criticism is transformative and likely a fair use even if used commercially.

Thus, even accepting the Foundation's argument about the perception of the two works, "that degree of difference is not enough for the first factor to favor [the Foundation], given the specific context of the use," the Court held. [143 S.Ct. at 1284-85.] Indeed, "[i]f an original work and a secondary use share the same or highly similar purposes, and the secondary use is of a commercial nature, the first factor is likely to weigh against fair use, absent some other justification for copying." [*Id.* at 1277.] Because both the original work and the unauthorized derivative work are "portraits of Prince used to depict Prince in magazine stories about Prince," they share "substantially the same purpose." [*Id.* at 1273.] The visual variations do not alter the essential purpose of both works for this particular use. As a result, according to seven of the nine Justices, Goldsmith wins the headlining position, taking center stage.

Slow Clap or Standing Ovation?: Takeaways - You Decide

Traditionally, the bulk of the analysis under the first fair use factor relied heavily on whether the derivative work is "transformative." That is, "one that 'alter[s] the first [work] with new expression, meaning, or message.'" [*Id.* at 1282, quoting *Campbell*, 510 U.S. at 579.] But, here, the Court reasoned that if any alteration in expression or meaning were enough to indicate fair use, the exception would swallow the rule-the copyright owner's exclusive right to prepare derivative works would be eviscerated by transformative derivative use. If the Court is not singing an entirely new song as to the first factor, it surely has now dropped a very heavy bassline.

Going forward, this decision makes clear it is the *use* of the works at issue that matters. The transformative nature of a derivative work is not enough to completely discern the first fair use factor; other considerations, including commercialism, come into play. The majority's opinion seems to set up a sliding scale. The more commercial a particular use, the more transformative the derivative work needs to be. Transformativeness can still overcome commerciality in some circumstances, but not here.

The Court contrasts the facts before it in the case with another classic Warhol piece: the Soup Can series. Warhol's use of the copyrighted Campbell's soup logo is for an entirely different purpose. Campbell's is selling soup; Warhol is not. The purpose of the *use* has transformed, even if the aesthetics have not.

The majority repeatedly cautions that its decision is nuanced, focusing solely on the use of Warhol's version in the context of a magazine cover, and explicitly not commenting on the fair use questions that could result from the *creation* or sale of the other versions. Indeed, the Court goes so far as to note that "the analysis here might be different if [the unauthorized derivative work] appeared in an art magazine alongside an article about Warhol." [143 S.Ct. at 1279 n.12.] And, of course, no one factor is dispositive in a fair use analysis. But this decision is certainly not a one-hit wonder; Supreme Court decisions seldom are. As such, artists and others would do well to proceed with even more caution than before when creating unauthorized derivative works, especially if they plan to commercialize them.

Looking forward, the *Warhol* decision certainly sets the stage for how generative AI will be treated under copyright law. For example, training AI to compete with the very copyrighted works that AI ingests, i.e., for the same purpose, likely will not be considered fair use. The original copyrighted works likely must be licensed for such purposes under *Warhol*.

Benesch's copyright and creative content lawyers are experienced in all facets of copyright. Our team is well-versed in copyright law's fair use defense and analysis of its application. Our copyright litigators are experienced in representing clients in disputes concerning copyrighted works. We are also skilled in helping clients resolve disputes in favor of business solutions. We are available to assist you with any copyright needs.

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