MS&K

Appendix to Submission of Motion Picture Association

The Fair Use Doctrine

Steven J. Metalitz
Mitchell Silberberg & Knupp LLP
Washington, DC, USA

March 4, 2011

On 4 November 2010, the U.K. Prime Minister David Cameron gave a speech in East London in which he noted:

> "The second new announcement I can make today is to do with intellectual property. The founders of Google have said they could never have started their company in Britain. The service they provide depends on taking a snapshot of all the content on the internet at any one time and they feel our copyright system is not as friendly to this sort of innovation as it is in the United States. Over there, they have what are called 'fair-use' provisions, which some people believe gives companies more breathing space to create new products and services. So I can announce today that we are reviewing our IP laws, to see if we can make them fit for the internet age. I want to encourage the sort of creative innovation that exists in America."

This paper responds to the Prime Minister's observations regarding fair use. It briefly discusses what fair use is, and what it is not, in the U.S. copyright law system. In particular, it underscores that fair use is not a doctrine specifically linked to innovation or to the use of particular technologies, but rather a long-standing fact-specific doctrine applied on a case-by-case basis by U.S. courts. It also points out that the impact of fair use on the business models of search engines is often overstated. It provides some observations about the challenges of translating the fair use concept to other legal systems, and concludes with a brief analysis of how fair use is situated in the international context. Its conclusion is that U.K. policymakers would be well advised to take a skeptical attitude toward assertions that transplantation of fair use into U.K. law would have any positive effect in "encouraging this sort of creative innovation that exists in America," and that the impacts of such a decision on the U.K. law and marketplace, and on fulfillment of international obligations, must be carefully considered.

1. What fair use is, and is not

In order to evaluate the relevance of fair use to innovation, it is important to understand what fair use is, under the U.S. copyright system, and what it is not. In particular, it is important to understand that the relationship of fair use to technological innovation is only incidental, and

thus that there is little basis to conclude that countries lacking fair use style provisions in their copyright laws are less able to foster innovation as a result.

Under the U.S. copyright law, fair use is an affirmative defense to a claim of copyright infringement. When proven, fair use provides a complete defense to liability for acts that would otherwise be infringing. The doctrine was developed by the American courts, beginning as early as 1841, and has evolved continuously over the past 170 years.[1] Not until 1976 was the doctrine codified, in Section 107 of the Copyright Act of 1976.[2]

This codification, which has remained largely unchanged for 35 years, consists of two parts. First, the statute includes a non-exhaustive list of purposes for which a particular use of a copyrighted work could qualify as "fair use". This list includes criticism, comment, news reporting, scholarship, and research. Second, the statute sets out a non-exhaustive list of factors that are to be considered "in determining whether the use made of a work in any particular case is a fair use." The factors listed are: first, the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; second, the nature of the copyrighted work; third, the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and fourth, the effect of the use upon the potential market for or value of the copyrighted work.

It is evident from this codification of the fair use doctrine that it is not, as some choose to characterize it, a general curtailment of copyright principles in order to foster technological innovation or the creation of new products or services. The fair use doctrine has been successfully asserted in a number of cases that do not involve any element of new technology; and it has also been found inapplicable in cases involving the uses of innovative new technologies to disseminate copyrighted materials. Fair use is, instead, a defense that is potentially applicable to all uses of copyrighted materials for a wide range of purposes, and one that is applied by the courts in a fact-intensive analysis in particular cases, whether or not the facts involve an innovative use of technology.

The contrast between Section 107 of the copyright act, and many of the specific statutory exceptions that follow it in Sections 108 through 122, is instructive. Fair use applies to all the exclusive rights accorded to copyright owners; it applies to all categories of works; and it may be invoked by a wide range of users. By contrast, many of the specific exceptions which follow it apply much more narrowly, affecting only specified works, exclusive rights, or users. In particular, many of these exceptions apply only to certain uses of specified types of technologies, such as retransmission of public performances or displays by cable television technology,[3] or

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[1] *See Folsom v. Marsh*, 9 F. Cas. 342 (1841) ("[W]e must . . . look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.")

[2] Codified at 17 U.S.C. § 107

[3] *See* 17 U.S.C. § 111.

satellite services[4]; or use of reprographic technology in a library or archival setting.[5] Some of the specific exceptions, it may plausibly be claimed, are intended to encourage particular uses of specific technologies by making those particular uses (but never the use of the technology in general) non-infringing. The same certainly cannot be said of Section 107, which bears a far more tenuous relationship to particular technologies or to technological innovation in general.

The salient characteristics of fair use are both a strength and weakness. Its strength is that, since it relies upon general factors and case-by-case application, it can be applied to new situations, including but by no means limited to those involving new technologies, even if these had not specifically been anticipated by the legislature. The complementary weakness of the fair use doctrine is that, because of this generality and case-by-case nature, it is less predictable in its application than a specific exemption or series of exemptions would be.

U.S. fair use doctrine has been much criticized for its asserted unpredictability and case-by-case nature. Because the doctrine is constantly evolving through judicial decisions, which do not always follow a straight path, it is sometimes said that fair use is simply "the right to hire a lawyer", since the final outcome of a fair use analysis in a particular dispute can only be delivered post-hoc by a court.[6] While this concern may be overstated, it is not wholly groundless. Yet the requirement for fact-specific, case-by-case adjudication of fair use claims is a central feature of the doctrine, one that has been repeatedly reaffirmed by the U.S. Supreme Court and lower courts, which have criticized the use of "bright line rules" or strong presumptions in the fair use calculus. Not too long ago, a copyright practitioner in the United States would have felt comfortable advising his client, for example, that uses that involve copying an entire work were unlikely to be considered fair use; that commercial uses of copyrighted materials were presumptively unfair; and that uses of unpublished material also weighed heavily against a finding of fair use. Each one of these "rules of thumb" has been obliterated, either by a Supreme Court decision in the case of the first two,[7] or by an act of Congress, in the third case, which led to the only substantive change to Section 107 over the past third of a century.[8] The common thread among all of these developments is the insistence that each case of claimed fair use be decided upon its own facts, using the statutory lists of purposes and of factors as a starting point and touchstone, but not as a talisman or formula.

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[4] See 17 U.S.C §§ 119, 122.

[5] *See* 17 U.S.C. § 108.

[6] LAWRENCE LESSIG, FREE CULTURE 187 (2004), *available at* http://www.free-culture.cc/freeculture.pdf.

[7] *See Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) (ruling that analog copying of entire television shows broadcast on free television for the purposes of time-shifting constitutes fair use); *Campbell v. Acuff Rose Music*, 510 U.S. 569 (1994) (rejecting presumption that commercial use is unfair, and finding that a commercial parody can constitute fair use).

[8] An Act to amend Title 17, United States Code relating to fair use of copyrighted works, Pub. L. 102-492, 106 Stat. 3145 (Oct. 24, 1992) (amending 17 U.S.C. § 107 to state: "The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.").

This defining characteristic of the U.S. fair use doctrine has two important implications for evaluating the worldview referenced by the Prime Minister in his statement of November 4, 2010. First, it counsels caution, or indeed skepticism, in evaluating broad statements about the impact of fair use on particular technologies or business models, much less on the overall climate for innovation. Second, it underscores the importance of the entire body of fair use case law in how the doctrine functions in United States, thus raising the question of how feasible it would be to transplant it or something like it into the U.K. or any other system.

2. **Fair use and search engines**

It is true, of course, that some U.S. courts have held certain activities of search engines in specific cases to be fair uses. However the cases resist broad applicability, and one must be careful not to overstate their significance. Some writers have not heeded this warning. For instance, in his article "Google and Fair Use," Jonathan Band asserts "the centrality of fair use to current search engine technology."[9] As Band notes, the copyright status of search engines that depend primarily on human review and judgment, or on compilation and analysis of website metadata through use of software spiders, has little to do with fair use, relying more upon the interpretation of the safe harbors provided under the Digital Millennium Copyright Act (which are quite similar to the horizontal provisions in Articles 12 to 15 of the Directive 2000/31/EC on e-commerce).[10] In the case of what he describes as "third-generation search engines," however, which rely on copying and caching entire contents of websites, Band concedes that their activities "might not fall within the four corners" of the DMCA safe harbors. Instead, he asserts, it is upon the fair use doctrine that search engine operators must rely to avoid copyright liability for their activities.

Interestingly, Band relies on only a handful of cases, all originating in just one of the 12 regional circuit courts of the U.S. legal system, for his assertion that Google's "crown jewel – its search engine – is heavily reliant on the fair use doctrine."[11] Indeed, the paucity of U.S. cases adjudicating whether the activities of bona fide search engines involve uses of copyright material that are sheltered under Section 107 of the copyright act strongly indicates that many other factors may be at work in the fostering of this business sector.

Notably, only one of these cases discussed by Band even involves the full Google search engine; and that case is clearly of limited precedential value. The facts of *Field v. Google*,[12] in which a lawyer sought to entrap Google into infringement, are so far removed from the normal e-commerce environment as to vitiate the strength of that trial court precedent. Moreover, even in the *Field* case, fair use was only one of several alternative grounds upon which the infringement

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[9] *See* Jonathan Band, *Google and Fair Use*, 3 J. BUS. & TECH. L. 1, 2, 7-16 (2008).

[10] See 17 U.S.C. § 512.

[11] Band, note 9 supra, at 2.

[12] 412 F. Supp. 2d 1106 (D. Nev. 2006).

claim was rejected.[13] Since one of these alternative grounds was that no direct infringement had occurred, there is a strong argument that the Field court's observations on fair use were *obiter dicta;* if no infringement occurred, then any defense to infringement was irrelevant.

This leaves Band with cases involving image searching. In *Kelly v. Arriba Soft Corp.*,[14] and *Perfect 10 Inc. v. Amazon.com Inc.*,[15] the 9th Circuit Court of Appeals was faced with a search engine's wholesale copying of images from websites, but in a degraded, "thumbnail" format. The court applied the statutory fair use factors only to this activity, not to any other aspects of the defendants' businesses, and concluded that the search engines' specific uses were likely to be considered fair. Notably however, in the *Perfect 10* case involving Google, the court's final opinion did not entirely absolve the company of copyright liability. Indeed the court specifically found that Google "substantially assists" the infringing activities of websites it indexes, "assists a worldwide audience of users to access infringing materials," and could be liable for copyright infringement for doing so if there were "simple measures" which it failed to take "to prevent further damage to copyright owners."[16]

While the *Kelly* and *Perfect 10* decisions are relevant, Band overstates their significance. They represent the analysis by one Federal Circuit Court of Appeals of specified activities of search engines (notably, involving thumbnail copies only), and the application of the statutory fair use factors to those activities. Given the fact-specific nature of the U.S. fair use doctrine, these precedents provide only a thin reed upon which to lean in making broad generalizations about the role of fair use in providing "breathing space to create new products and services."

Even within the limited focus of how copyright law has impacted the environment for startup Internet companies, many other aspects of the law beyond fair use affect that environment. These include some of the doctrines cited by the *Field* court in its alternative holdings, notably the concept of implied license, as well as the notion of *de minimis* infringement, and the idea-expression dichotomy and the merger doctrine, both of which embody the distinction between unprotectable ideas and protectable expression. Beyond this, of course, is the question of what other aspects of the U.S. legal and commercial environment, wholly apart from fair use or any other consideration of copyright law, might have contributed to the launch of Google in particular, search engines in general, or any other type of Internet-based business in

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[13] *Id.* at 1109 (granting Google's motion for summary judgment "(1) that it has not directly infringed the copyrighted works at issue; (2) that Google held an implied license to reproduce and distribute copies of the copyrighted works at issue; (3) that Field is estopped from asserting a copyright infringement claim against Google with respect to the works at issue in this action; and (4) that Google's use of the works is a fair use under 17 U.S.C. § 107. The Court will further grant a partial summary judgment that Field's claim for damages is precluded by operation of the "system cache" safe harbor of Section 512(b) of the Digital Millennium Copyright Act ("DMCA").").

[14] 336 F.3d 811 (9th Cir. 2003).

[15] 487 F.3d 701 (9th Cir. 2007), *aff'g in part and rev'g in part*, *Perfect 10, Inc. v. Google*, 416 F. Supp. 2d 828 (C.D. Cal. 2006).

[16] *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701, at 729, 733.

the United States. It might well be concluded that a host of other factors – not in the legal sphere but rather in the commercial environment, and certainly outside the copyright law – may play a greater role in encouraging such businesses than do the particular contours of exceptions and limitations in the copyright law.

3. Translating fair use to other legal systems

In recent years, a number of countries have considered whether to incorporate a codification of the fair use doctrine into their copyright laws. Nearly all of these have decided not to do so.[17] For many of these countries, which follow civil law legal systems, the ineradicable common-law features of fair use may have proven to be an insurmountable stumbling block.[18] But even in common-law jurisdictions such as Australia and Canada, the decision has been made not to adopt a fair use doctrine as part of the copyright law. This may have been motivated by considerations that should be taken into account by any country that is reviewing its system of copyright exceptions, including the U.K.

Of course, in the U.K., as in the U.S., both the statute and judge-made doctrines include many features that would be relevant to the question of whether a particular use of copyright material made by a search engine was or was not infringing. Questions of substantiality, copyrightable subject matter, the public interest, and other issues would often be determinative. However, for purposes of this paper, the obvious analog to the U.S. fair use doctrine in the U.K. copyright law is the concept of fair dealing.[19] Both have common-law roots, and both rely upon courts to apply generalized factors to specific cases in order to determine whether a particular use of copyrighted material that would otherwise be infringing ought to be excused.

However, there are number of important differences between U.S. fair use and U.K. fair dealing. Two are particularly salient here. First, while the statutory list of purposes to which a fair use defense could potentially apply under U.S. law is purely illustrative, and other purposes could also qualify, the list of purposes justifying fair dealing under U.K. law is an exhaustive one, consisting solely of research or private study; criticism or review; or reporting current events. If a dealing with a copyrighted work is not for one of the enumerated purposes, the fair dealing defense does not apply. More significantly, the factors which a court should take into consideration in evaluating a fair dealing defense are not listed in the U.K. statute. While these can be drawn from an analysis of various cases decided under the fair dealing provisions, the statute does not provide any list of factors as a starting point for analysis.

The main problem with seeking to introduce a system for copyright exceptions based on the U.S. fair use doctrine into the U.K. legal environment relates not so much to the concept of a general defense to infringement that is applied on a case-by-case basis to specific facts. The

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[17] There are a few exceptions, such as Israel (Section 19 of the Copyright Act), Singapore (Chapter 63 of the Singapore Statutes), and the Philippines (Section 185 of the Intellectual Property Code).

[18] Civil law examples include Japan and Korea.

[19] *See* Copyright, Designs and Patents Act of 1988, Sections 29-30.

system already operates this way in the U.K. The problem would arise with the specific U.S. judicial precedents that have developed within and provided content to the fair use framework in particular factual settings. As noted above, the U.S. fair doctrine system is based on an analysis of these U.S. judicial precedents. It is only on this basis that the fair use doctrine can be said have any real impact, positive or negative, on the development of copyright-based businesses, or upon businesses that depend upon the mass exploitation of copyrighted works owned by third parties. If, as is sometimes asserted, fair use provides "breathing space" for innovative new businesses, that can only be because counsel to those businesses have analyzed the applicable fair use precedents and have advised that the uses that these companies wish to make of copyrighted materials, without authorization from the copyright owner, and without the shelter of specific exceptions to copyright law, are likely to be considered fair if and when they are presented to a court for resolution. This case law has shaped the fair use doctrine and in many cases constrained its application. The enactment as part of U.K. law of a new system that might be based on the fair use doctrine would not bring with it this century and a half of judicial precedent that allows counsel, and the companies they advise, to rely upon the doctrine. Indeed, at its introduction, the new system would be unsupported by any binding precedent at all.

The presence of the well-established U.K. jurisprudence of fair dealing would not significantly ameliorate this problem. There may be considerable overlap between the factors that British courts consider in deciding fair dealing cases, and those that U.S. courts consider in fair use cases (either because they are directed by the statute to do so, or because additional factors are identified in particular cases). But the two lines of precedent are certainly far from uniform. To the extent that U.S. courts provide a particular fair use factor – for example, the impact of a particular use upon the actual or potential market for the work used (statutory factor #4) – a different weight or a different interpretation than do the U.K. courts in fair dealing cases, the inescapable question would be whether, and to what extent, the U.K. courts, in applying a new "fair use-like" provision, should be guided by U.S. precedent. The same question would arise in applying fair use to activities that fall outside the list of purposes for which fair dealing can now be applicable, and for which therefore there is likely to be no precedent on point in U.K. jurisprudence.

Assuming that any new system of copyright exceptions that might introduced into the U.K. legal system would not direct its courts to slavishly follow U.S. precedent, it is inescapable that there would be considerable uncertainty about the resolution of claims based on the new system in U.K. courts. This is likely to create a deleterious level of unpredictability for copyright owners, copyright users, and the public. As a result, even if there were a strong case to be made that fair use has a beneficial effect on the decisions made by entrepreneurs and startup innovators in the U.S., those benefits would not be likely to survive the passage across the Atlantic. If the U.K. courts were invited to write upon a blank slate in developing fair use jurisprudence, the beneficial balance between predictability and risk that the fair use doctrine seems to provide in the U.S. marketplace would tilt too far away from predictability. It thus would be unlikely to achieve any positive results.

An additional uncertainty involves the impact of a change in U.K. law on existing licensing agreements. Since the likely purpose, and even more likely a result, of borrowing from

fair use to amend U.K. law would be to expand, at least to some degree, the scope and applicability of exceptions to copyright protection, it is almost inevitable that some licensees would be compelled to re-examine whether they any longer needed to obtain a license for particular uses, or whether they could instead rely upon the expanded exception resulting from the new fair use provision. The likelihood that this would destabilize settled markets for the licensing of copyrighted materials seems high. This factor should also be taken into account in any deliberation about changes to the British statute.

4. **Fair use in the international context**

Despite their divergent statutory approaches, the U.K. and the U.S. are both subject to precisely the same international standards with regard to the breadth and scope of any exceptions to, or limitations on, the exclusive rights of copyright owners. These standards are found in the "three-step test" first codified in Article 9 (2) of the Berne Convention,[20] and reaffirmed and broadened in scope in Article 13 of the TRIPS agreement[21] and in the 1996 WIPO Internet treaties[22] (see also Article 5(5) of Directive 2001/29/EC on copyright in the information society to which of course the U.K., but not the U.S., is bound).[23]

The compatibility of the fair use doctrine with the three-step test has recently been the subject of a good deal of scholarly commentary and controversy; but no definitive determination on that subject has ever been made. At the time the U.S. first became subject to the three-step test, when it adhered to the Berne Convention in 1989, there seemed to be no serious consideration of whether Section 107 was incompatible with Article 9 (2) of Berne.[24] Since the

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[20] Berne Convention for the Protection of Literary and Artistic Works, Art. 9(2) ("It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.").

[21] Agreement on Trade-Related Aspects of Intellectual Property Rights, Art. 13 ("Members shall confine limitations and exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the rights holder.").

[22] WIPO Copyright Treaty of 1996, Art. 10 and WIPO Performances and Phonograms Treaty, Art. 16 (1996) ("Contracting Parties shall, when applying the Berne Convention, confine any limitations of or exceptions to rights provided for therein to certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.").

[23] Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, Art. 5(5) ("The exceptions and limitations [to the reproduction right] provided for in paragraphs 1, 2, 3 and 4 shall only be applied in certain special cases which do not conflict with a normal exploitation of the work or other subject-matter and do not unreasonably prejudice the legitimate interests of the rightholder.").

[24] For instance, an ad hoc group of experts which canvassed a wide range of asserted incompatibilities between the US copyright act as it stood in 1986 and the Berne Convention did not even address Section 107, or whether any changes to it would be needed in order to comply with Berne standards. *The Implications, Both Domestic and International, of U.S. Adherence to the International Union for the Protection of Literary and Artistic Works Before the Subcomm. on Patents, Copyrights, and Trademarks of the S. Comm. on the Judiciary*, 99th Cong. app. at 427-522 (1986) (additional submission for the record: Final Report of the Ad Hoc Working Group on U.S. Adherence to the Berne Convention).

mid-1990s, the WTO dispute settlement process has provided a potential forum for claims that fair use is to broad or too ill-defined an exception to satisfy the three-step test. But no such claims have ever been brought, even though there are doubtless a number of WTO members whose nationals could claim to have been injured through fair use decisions by U.S. courts that unauthorized uses of their works were "fair" and therefore sheltered by Section 107. It is worth noting that the one provision of U.S. copyright law that has been found to exceed the bounds of the three-step test, by decision of a WTO dispute settlement panel, is not Section 107, but rather Section 110 (5), a specific exception involving the public performance of music in bars and restaurants.[25]

In the final analysis, were the U.K. to adopt a new copyright exception system based on the U.S. fair use provisions, its compatibility with the three-step test would be determined by how it was applied in a particular case, not in the abstract.

[25] Section 110(5)(B) of the Copyright Act (Music Copyrights) (DS160) ("Irish Music Case") (June 15, 2000).