

**\*\*Note: This draft is for discussion purposes only\*\***

**Law Firm Copying and Transformative Fair Use:  
An Examination of Different Purpose**

D.R. Jones<sup>†</sup>

**ABSTRACT**

*In several recent lawsuits, publishers sued law firms for copyright infringement. The lawsuits focused on making unlicensed copies of scholarly articles to file with patent applications, including copies for the firms and the firms' clients. In two of these cases, lower court judges determined that the making of unlicensed copies was fair use. The decisions hinged on transformative use, focusing on the defendant's purpose for using the works. There was no alteration or change in the works. The judges found fair use, despite the possible availability of licensing.*

*The focus on purpose in these cases fits well within the evolving analysis of transformative use. This paper uses these cases as a vehicle to review the use of purpose in fair use analysis. The cases also offer a study in the determination of a fair use market when licensing is available. This determination requires a more in-depth analysis of a purpose and its societal benefits without regard for the transformative use designation.*

I. The Cases

In 2012, publishers filed lawsuits against four law firms alleging copyright infringement.<sup>1</sup> In their initial complaints, the Plaintiffs argued that the law firms had not obtained their permission before filing copies of copyrighted articles in patent applications.<sup>2</sup> The Plaintiffs voluntarily dismissed the case against one of

---

<sup>†</sup> Assistant Professor of Law, The University of Memphis Cecil C. Humphreys School of Law.

<sup>1</sup> The plaintiff publishers were the American Institute of Physics, Inc. and John Wiley & Sons, Inc. The four defendant law firms were: McDonnell Boehnen Hulbert & Berghoff LLP (Chicago, Illinois); Winstead PC (Dallas, Texas); Hovey Williams LLP (Topeka, Kansas); and Schwegman Lundberg & Woessner PA (Minneapolis, Minnesota). All four law firms engage in patent prosecution.

<sup>2</sup> Complaint ¶ 14, John Wiley & Sons v. McDonnell Boehnen Hulbert & Berghoff LLP, No. 12 C 1446 (N.D. Ill. Feb. 29, 2012); Complaint ¶ 14, Am. Inst. of Physics v. Schwegman Lundberg & Woessner, P.A., No. 0:12-cv-00528-RHK-JJK (D. Minn. Feb. 29, 2012); Complaint ¶ 14, Am.

the firms after the case settled.<sup>3</sup> The Defendants in the remaining three lawsuits denied the allegations of infringement and raised several defenses, including fair use.<sup>4</sup> The United States Patent Office (PTO) intervened as a defendant in these three lawsuits.<sup>5</sup> Two of these lawsuits (*Schwegman* and *Winstead*) resulted in district court decisions<sup>6</sup> for the Defendants. The Plaintiffs filed an appeal in the *Schwegman* case,<sup>7</sup> but later filed to dismiss this appeal.<sup>8</sup> They also filed a stipulated motion for dismissal with prejudice in the *Winstead* case.<sup>9</sup> In addition, they filed for dismissal in the third case,<sup>10</sup> which was still in the discovery phase. This article focuses on the *Schwegman* and *Winstead* cases.

---

Inst. of Physics v. Winstead PC, No. 3:12-cv-01230-M (N.D. Tex. Apr. 20, 2012); Complaint ¶ 14, John Wiley & Sons v. Hovey Williams LLP, No. 5:12-cv-04041-RDR-KGS (D. Kan. Apr. 20, 2012). The Plaintiffs also alleged that the Defendants had made infringing “internal” copies of copyrighted articles in connection with the patent application filings. Complaint ¶ 15, *McDonnell*, No. 12 C 1446; Complaint ¶ 15, *Schwegman*, No. 0:12-cv-00528-RHK-JJK; Complaint ¶ 15, *Winstead*, No. 3:12-cv-01230-M; Complaint ¶ 15 *Hovey*, No. 5:12-cv-04041-RDR-KGS.

<sup>3</sup> Notice of Voluntary Dismissal, John Wiley & Sons v. Hovey Williams LLP, No. 5:12-cv-04041-RDR-KGS (D. Kan. June 22, 2012).

<sup>4</sup> Answer, *McDonnell*, No. 12 C 1446 (N.D. Ill. April 12, 2012); Answer, *Schwegman*, No. 0:12-cv-00528-RHK-JJK (D. Minn. July 20, 2012); Answer, *Winstead*, No. 3:12-cv-01230-M (N.D. Tex. Apr. 20, 2012).

<sup>5</sup> Motion to Intervene, *McDonnell*, No. 12 C 1446, (N.D. Ill. June 12, 2012); Motion to Intervene, *Schwegman*, No. 0:12-cv-00528-RHK-JJK, (D. Minn. July 2, 2012); Motion to Intervene, *Winstead*, No. 3:12-cv-01230-M (N.D. Tex. August 3, 2012). The PTO intervened because of the possible effects a decision could have on the patent process. It asserted that the copying and use of articles in patent proceedings constituted fair use. Memorandum of Law in Support of USPTO’s Motion for Summary Judgment on Its Fair Use Defense & Counterclaim at 2, *Schwegman*, No. 0:12-cv-00528-RHK-JJK (D. Minn. April 12, 2013); Memorandum of Law in Support of USPTO’s Motion for Judgment on the Pleadings or Partial Summary Judgment on Its Fair Use Defense & Counterclaim at 2, *Winstead*, No. 3:12-cv-01230-M (N.D. Tex. Feb. 27, 2013). In January 2012, the PTO had issued a memorandum discussing the application of fair use in the patent examination process. U.S. Pat. & Trademark Off., Off. of Gen. Couns., Memorandum on USPTO Position on Fair Use of Copies of NPL Made in Patent Examination (Jan. 19, 2012).

<sup>6</sup> Report & Recommendation, *Schwegman*, No. 0:12-cv-00528-RHK-JJK (D. Minn. July 30, 2013), *adopted*, Order, *Schwegman*, No. 0:12-cv-00528-RHK-JJK (D. Minn. Aug. 30, 2013), *appeal dismissed per stipulation*, Am. Inst. of Physics v. Schwegman Lundberg & Woessner, P.A., No. 13-3351 (8th Cir. Feb. 18, 2014) [hereinafter Report & Recommendation, *Schwegman*]; Memorandum Opinion & Order, Am. Inst. of Physics v. Winstead PC, No. 3:12-cv-01230-M (N.D. Tex. Dec. 3, 2013) [hereinafter Opinion & Order, *Winstead*].

<sup>7</sup> Am. Inst. of Physics v. Schwegman Lundberg & Woessner, P.A., No. 13-3351 (8th Cir. Oct. 28, 2013).

<sup>8</sup> Stipulation of Parties to Dismiss Appeal, Am. Inst. of Physics v. Schwegman Lundberg & Woessner, P.A., No. 13-3351 (8th Cir. Feb. 18, 2014).

<sup>9</sup> Stipulated Motion for Dismissal with Prejudice, Am. Inst. of Physics v. Winstead PC, No. 3:12-cv-01230-M (N.D. Tex. Jan. 31, 2014).

<sup>10</sup> Plaintiffs’ Motion For Voluntary Dismissal With Prejudice, John Wiley & Sons v. McDonnell Boehnen Hulbert & Berghoff LLP, No. 12 C 1446 (N.D. Ill. Mar. 3, 2014).

The context for these cases is the patent application process. An inventor may obtain a patent by submitting a patent application to the PTO.<sup>11</sup> The PTO examination process includes a determination of the patentability of the invention.<sup>12</sup> As part of this process, the examiner considers “prior art.”<sup>13</sup> Prior art can include scholarly scientific and technical articles (non-patent literature (NPL)) as well as previously issued patents.<sup>14</sup> An examiner searches for prior art as part of the review,<sup>15</sup> but an applicant also provides prior art.<sup>16</sup> A patent applicant<sup>17</sup> has a duty to disclose . . . all information known to that individual to be material to patentability . . . .”<sup>18</sup>

To comply with this duty of disclosure, the Defendants filed scholarly articles as part of patent applications.<sup>19</sup> The Plaintiffs’ initially alleged that the filing of non-patent literature without permission constituted infringement.<sup>20</sup> The Plaintiffs later amended their complaints to exclude the filed non-patent literature and one copy kept for archival purposes.<sup>21</sup> The amended complaints focused on

---

<sup>11</sup> 35 U.S.C. §§ 101, 111 (2006). Under the United States Constitution, Article I, section 8, Congress has the power “to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.” Pursuant to this power, Congress has promulgated patent laws which are codified in 35 U.S.C. §§ 1-390. Rules and regulations governing patents are set forth in Title 37 of the Code of Federal Regulations.

<sup>12</sup> 37 C.F.R. § 1.104(a) (2013); *see* 35 U.S.C. §§ 102 & 103.

<sup>13</sup> 37 C.F.R. § 1.104(a).

<sup>14</sup> 35 U.S.C. § 102.

<sup>15</sup> 37 C.F.R. § 1.104(a) (1).

<sup>16</sup> The applicant can provide an information disclosure statement along with the application. This statement includes copies of any information submitted for consideration. 37 C.F.R. § 1.98. The PTO encourages applicants to file information disclosure statements. 37 C.F.R. § 1.51(d). The applicant must file with the information disclosure statement copies of publications that are material to the applicant’s claim of patentability. *See* 37 C.F.R. § 1.98(a)(2)(ii).

<sup>17</sup> The applicant’s attorneys and any other “individual associated with the filing and prosecution of a patent application” also have this duty. 37 C.F.R. § 1.56(a).

<sup>18</sup> 37 C.F.R. § 1.56(a). This disclosure helps the PTO become “aware of and evaluate the teachings of all information material to patentability.” *Id.* This disclosure is part of a “duty of candor and good faith.” *Id.*

<sup>19</sup> *See* Schwegman Lundberg & Woessner, P.A.’s Memorandum of Law in Support of its Motion for Summary Judgment at 2, 7, *Schwegman*, No. 0:12-cv-00528-RHK-JJK (D. Minn. April 12, 2013); Winstead’s Motion to Dismiss Amended Complaint and Supporting Brief at 1, Winstead, No. 3:12-cv-01230-M (N.D. Tex. Feb. 7, 2013).

<sup>20</sup> *See* Complaint, *McDonnell*, No. 12 C 1446; Complaint, *Schwegman*, No. 0:12-cv-00528-RHK-JJK; Complaint, *Winstead*, No. 3:12-cv-01230-M.

<sup>21</sup> Amended Complaint at 2-3, *McDonnell*, No. 12 C 1446, (N.D. Ill. July 13, 2012); Amended Complaint at 1-2, *Schwegman*, No. 0:12-cv-00528-RHK-JJK (D. Minn. Oct. 3, 2012); Amended Complaint at 1, *Winstead*, No. 3:12-cv-01230-M (N.D. Tex. Nov. 27, 2012).

other copies such as copies provided to clients.<sup>22</sup> While the Plaintiffs' amended complaints excluded filings with the PTO and archival copies, the judges in *Schwegman* and *Winstead* still considered these copies in their review of the issues.<sup>23</sup>

In the *Schwegman* and *Winstead* cases, both judges<sup>24</sup> determined that the Defendants' copying constituted fair use as a matter of law and granted summary judgment for the Defendants.<sup>25</sup> Under the 1976 Copyright Act,<sup>26</sup> copyright holders have numerous rights, including the right "to reproduce the copyrighted work in copies or phonorecords."<sup>27</sup> Fair use is an affirmative defense to infringement of a copyright holder's rights in a work.<sup>28</sup> Congress codified the long standing judicial doctrine<sup>29</sup> of fair use as Section 107 of the 1976 Copyright Act.<sup>30</sup> A court's determination of fair use "calls for a case-by-case analysis."<sup>31</sup> In

---

<sup>22</sup> *Id.*

<sup>23</sup> In *Schwegman*, the judge discussed that even though the Plaintiffs had dropped their claims with regard to the copies for PTO and archiving, the defendant's use of copies in the patent application process was still relevant. They could not "dissociate" the copying from the law firm's patent prosecution practice. Report & Recommendation at 5-6, 6 note 3, *Schwegman*, *supra* note 6.

<sup>24</sup> The judge in *Schwegman* was Magistrate Judge Jeffrey J. Keyes. The judge in *Winstead* was Judge Barbara M.G. Lynn.

<sup>25</sup> Report & Recommendation at 2, *Schwegman*, *supra* note 6; Memorandum Opinion & Order at 26, *Winstead*, *supra* note 6. In *Schwegman*, the District Court after a de novo review adopted the magistrate judge's Report and Recommendation. Order, *Schwegman*, No. 0:12-cv-00528-RHK-JJK (D. Minn. Aug. 30, 2013). In their amended complaints, the Plaintiffs in these cases had dropped allegations concerning copies the law firms filed with PTO and copies made for archival purposes. In *Schwegman*, Judge Keyes discussed that there was a disagreement as to whether the Plaintiffs had conceded that the making of these copies was fair use. He concluded that the Plaintiffs had not conceded. Report & Recommendation at 5-6, note 3, *Schwegman*, *supra* note 6. In *Winstead*, however, Judge Lynn stated that the Plaintiffs had conceded that the making of the copies for the PTO filing and archival purposes was fair use. Memorandum Opinion & Order at 11, *Winstead*, *supra* note 6.

<sup>26</sup> Copyright Act of 1976, 17 U.S.C. §§ 101-1332 (2006).

<sup>27</sup> 17 U.S.C. § 106(1).

<sup>28</sup> *Campbell v. Acuff-Rose Music Inc.*, 510 U.S. 569, 590 (1994) (citing *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 561 (1992)).

<sup>29</sup> See WILLIAM F. PATRY, PATRY ON COPYRIGHT § 10:2 (2014); see also H.R. REP. NO. 94-1476, at 65 (noting that "the judicial doctrine of fair use [is] one of the most important and well established limitations on the exclusive right of copyright owners . . . .")

<sup>30</sup> 17 U.S.C. § 107. Section 107 provides that "the fair use of a copyrighted work . . . is not an infringement of copyright."

<sup>31</sup> *Campbell*, 510 U.S. at 577; see also H.R. REP. NO. 94-1476, at 66 ("Beyond a very broad statutory explanation of what fair use is and some of the criteria applicable to it, the courts must be free to adapt the doctrine to particular situations on a case-by-case basis.").

its analysis, the court considers and “weighs together”<sup>32</sup> the nonexclusive four factors listed in Section 107.<sup>33</sup>

## II. The Decisions in *Schwegman* and *Winstead*

This section reviews the judges’ fair use analysis in *Schwegman* and *Winstead*.

### First Factor

The judges in both *Schwegman* and *Winstead* determined that the first factor favored fair use.<sup>34</sup> The first factor focuses on “the purpose and character of the use.”<sup>35</sup> The Supreme Court in *Campbell v. Acuff-Rose Music Inc. (Campbell)* established that under the first factor a court determines whether the defendant’s work is “transformative” by “add[ing] something new, with a different purpose or character” or whether it “merely supersedes” the original.<sup>36</sup> The transformative nature of a work can diminish the importance of countervailing factors.<sup>37</sup> Both judges concluded that the Defendants’ copying constituted a “transformative use” of the articles,<sup>38</sup> even though the Defendants’ made exact copies.<sup>39</sup> Judge Keyes in *Schwegman* noted that the “lack of alteration may make the label ‘transformative use’ a messy fit,” but a finding of fair use would still be appropriate if “the use’s purpose and character differs from the object of the original . . . .”<sup>40</sup>

The judges determined in each case that the Defendants’ used the copies for a different intrinsic purpose than the original, namely to review the articles for information relevant to patentability and to provide that information as evidence

---

<sup>32</sup> *Campbell*, 510 U.S. at 578.

<sup>33</sup> The four factors listed in Section 107 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 copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work. 17 U.S.C. §107(1)-(4).

<sup>34</sup> Report & Recommendation at 30, *Schwegman*, *supra* note 6; Memorandum Opinion & Order at 9, *Winstead*, *supra* note 6.

<sup>35</sup> 17 U.S.C. § 107(1) (2006).

<sup>36</sup> 510 U.S. 569, 579 (1994).

<sup>37</sup> *See id.*

<sup>38</sup> Memorandum Opinion & Order at 11, *Winstead*, *supra* note 6; *See* Report & Recommendation at 23-24, 27, *Schwegman*, *supra* note 6.

<sup>39</sup> Report & Recommendation at 30, *Schwegman*, *supra* note 6; Memorandum Opinion & Order at 11, *Winstead*, *supra* note 6.

<sup>40</sup> Report & Recommendation at 24, *Schwegman*, *supra* note 6.

in the context of the patent application process.<sup>41</sup> In contrast, the original purpose for the publication of the articles was to provide the scientific community with information about current developments.<sup>42</sup> Judge Lynn in *Winstead* noted that the Defendants were not reading the articles to learn, but rather to identify and provide evidence of the existence of the information to obtain “a quasi-judicial decision.”<sup>43</sup> Judge Keyes discussed cases in which the courts had determined that the use of copyrighted materials as evidence in judicial proceedings constituted fair use.<sup>44</sup> He equated the Defendants’ use of the articles as evidence in the patent process with the use of copyrighted materials in those cases.<sup>45</sup>

Judge Keyes determined that the Defendants’ use of internal copies fit within “determining how best to represent . . . clients’ interests in quasi-judicial proceedings.”<sup>46</sup> Judge Lynn also determined that internal copies made for attorneys to review for filing with the PTO and copies of articles attached to PTO filings and sent to clients were “indistinguishable” from copies filed with PTO and therefore covered as a fair use.<sup>47</sup>

The analysis of the “purpose and character of the use” includes a determination of “whether such a use is of a commercial nature or is for nonprofit

---

<sup>41</sup> Report & Recommendation at 22-23, 26-27, *Schwegman*, *supra* note 6; Memorandum Opinion & Order at 10-11, *Winstead*, *supra* note 6.

<sup>42</sup> Report & Recommendation at 23, *Schwegman*, *supra* note 6; Memorandum Opinion & Order at 10-11, *Winstead*, *supra* note 6. Judge Keyes in *Schwegman* also discussed that the Defendants were a different audience for the articles than the audience for the articles at the time of publication. This difference indicated how the Defendants’ usage of the articles differed from the usage of original readers of the articles. Report & Recommendation at 10-12, *Schwegman*, *supra* note 6.

<sup>43</sup> Memorandum Opinion & Order at 10, *Winstead*, *supra* note 6. Judge Lynn adopted an analogy the PTO had used in its brief, likening the Defendants’ use of the articles to the use of hearsay. The Defendants were not interested in the truth of the information in the articles, but rather in the existence of the information, whether it was true or not. *Id.* (citing Corrected Memorandum of Law In Support of USPTO’s Motion for Judgment on the Pleadings or Partial Summary Judgment on Its Fair Use Defense and Counterclaim at 12, *Winstead*, No. 3:12-cv-01230-M (N.D. Tex. Dec. 3, 2013)).

<sup>44</sup> Report & Recommendation at 25-26, *Schwegman*, *supra* note 6.

<sup>45</sup> *Id.*

<sup>46</sup> *Id.* at 26.

<sup>47</sup> Memorandum Opinion & Order at 11-12, *Winstead*, *supra* note 6. In footnotes four and five of her opinion, Judge Lynn described some of the copies that the Defendants made. Copies of articles included: “one email from a Winstead legal assistant to three client contacts, a Winstead attorney and a Winstead in-firm patent agent, forwarding a USPTO non-final office action on a patent *as to which the article was included as an attachment*; four emails forwarding the previous e-mail; one email from a Winstead in-firm patent agent to three clients and a Winstead attorney containing a draft submission to the USPTO *to which the article was attached*.” *Id.* at 5, n. 4, 5 (emphasis added).

educational purposes.”<sup>48</sup> The Plaintiffs in the *Schwegman* and *Winstead* cases argued that the defendant law firms were for-profit businesses that were obtaining a commercial benefit from the copied articles.<sup>49</sup> Relying on *American Geophysical Union v. Texaco, Inc. (Texaco)*,<sup>50</sup> the Plaintiffs contended that the Defendants’ commercial use of the articles negated a finding of fair use under the first factor.<sup>51</sup> Rejecting the Plaintiffs’ argument, Judge Keyes in *Schwegman* simply stated: “This case is not *Texaco*.”<sup>52</sup> Judge Lynn in *Winstead* similarly stated that: “*Texaco* is inapposite.”<sup>53</sup> Both judges distinguished the facts of *Texaco*. Judge Keyes noted that there was no evidence that the Defendants were “superseding the original purpose of the articles” by “maintaining mini-research libraries” in lieu of paying for subscriptions.<sup>54</sup> Judge Lynn also determined that the Defendants in *Winstead* did not maintain mini-libraries.<sup>55</sup> She also noted that the Defendants’ purpose in using the articles was different from the original, unlike the scientists’ use of articles in *Texaco*.<sup>56</sup>

---

<sup>48</sup> 17 U.S.C. § 107(1) (2006).

<sup>49</sup> Amended Complaint at ¶¶ 20 & 21, *Schwegman*, No. 0:12-cv-00528-RHK-JJK (D. Minn. October 3, 2012); Amended Complaint at ¶¶ 21 & 22, *Winstead*, No. 3:12-cv-01230-M (N.D. Tex. Nov. 27, 2012).

<sup>50</sup> 60 F.3d 913 (2d Cir. 1994). In *Texaco*, the plaintiff publisher claimed that *Texaco* infringed the publisher’s copyrights when *Texaco* scientists made copies of scholarly articles for personal files. The scientists copied the articles for possible later use in their research. *Texaco* claimed that the copying constituted fair use. *Id.* at 914-915. The Second Circuit Court of Appeals rejected the fair use defense. *Id.* at 931. The Court of Appeals determined that the weight of the first factor was against the defendant since researchers were making use of the copied articles for the same purpose as the original. *See id.* at 919-920. The researchers were maintaining copies in their personal libraries in lieu of the company purchasing additional subscriptions. *Id.* at 919.

<sup>51</sup> Memorandum of Plaintiffs in Opposition to the Motion of Defendant *Schwegman*, Lundberg & Woessner, P.A. to Dismiss the Complaint at 1, *Schwegman*, No. 0:12-cv-00528-RHK-JJK (D. Minn. June 5, 2012); *See* Report & Recommendation at 28, *Schwegman*, *supra* note 6; *See* Memorandum Opinion & Order at 13, *Winstead*, *supra* note 6.

<sup>52</sup> Report & Recommendation at 29, *Schwegman*, *supra* note 6.

<sup>53</sup> Memorandum Opinion & Order at 14, *Winstead*, *supra* note 6.

<sup>54</sup> Report & Recommendation at 30, *Schwegman*, *supra* note 6. Judge Keyes, in a footnote, distinguished the situation in which a law firm was making copies of a copyrighted work and distributing them to each lawyer in the firm. In that case, the firm would be “systematically avoiding paying licensing fees by multiplying copies for its employees to use copyrighted materials exactly how they were intended to be used.” *Id.* at 30, n. 10.

<sup>55</sup> Memorandum Opinion & Order at 14, *Winstead*, *supra* note 6 (“Unlike *Texaco*, Defendants do not maintain a library of copyrighted works or save copies of NPL to individual hard drives, but instead isolate NPL to individual client files, and keep NPL photocopies or digital copies solely in client files. There is no way to search for previously used NPL in *Winstead*’s computer network, nor is there a physical library of NPL articles.” *Id.*)

<sup>56</sup> *Id.*

Judge Lynn rejected the Plaintiffs' contention that since the Defendants charged an hourly rate for reading the articles, they had gained a commercial benefit from those articles.<sup>57</sup> The court distinguished that the Defendants were charging for the time spent, and were not obtaining a commercial benefit from the copies themselves.<sup>58</sup> The *Winstead* opinion also addressed the Plaintiffs' argument that the law firm was a "commercial enterprise" that was reaping a profit by charging clients for making copies.<sup>59</sup> Judge Lynn determined that the law firm, if it charged clients for copies, charged only enough to recoup costs and did not make a profit.<sup>60</sup> Judge Lynn concluded that "the commercialism inquiry does not disfavor Defendants' fair use defense."<sup>61</sup>

## Second Factor

In each case, the judge quickly<sup>62</sup> determined that the second factor<sup>63</sup> (the "nature of the work") favored fair use. In *Winstead*, Judge Lynn agreed with the Defendants that the copied articles contained "factual and scientific information" which was subject to less protection.<sup>64</sup> Although the copied articles contained "protectable, expressive content," Judge Lynn distinguished those articles from works such as poems or stories "which are less likely to fall under the fair use defense."<sup>65</sup> The second factor in *Winstead* therefore favored a finding of fair use.<sup>66</sup> Likewise, Judge Keyes in *Schwegman* characterized the copied articles as

---

<sup>57</sup> *Id.* at 13.

<sup>58</sup> *Id.* ("The Court finds *Texaco* inapplicable here, where the monetary gain received by the Defendants for reading an article is generated from the use of the attorneys' own time and not the content of the article itself.").

<sup>59</sup> *Id.* at 12-13. Judge Lynn distinguished *Princeton Univ. Press v. Mich. Document Servs., Inc.*, 99 F.3d 1381 (6th Cir. 1996) in which the defendant had made a profit from selling copies and was therefore unable to maintain a fair use defense.

<sup>60</sup> Memorandum Opinion & Order at 13, 15, *Winstead*, *supra* note 6. It was not relevant that companies in the business of making copies could charge lower rates, thus suggesting that the firm's charges resulted in a profit. *Id.* at 13.

<sup>61</sup> *Id.* at 15 ("Even if Defendants' use of Plaintiffs' works did occur in a commercial context, that fact is not determinative." *Id.* citing *Campbell*, 510 U.S. at 584).

<sup>62</sup> One scholar has noted that "[d]espite the confusion surrounding its sister factors, courts address [the second] factor with remarkable efficiency and frugality . . . ." Robert Kasunic, *Is That All There Is? Reflections on the Nature of the Second Fair Use Factor*, 31 COLUM. J.L. & ARTS 529, 529 (2008)

<sup>63</sup> 107 U.S.C. § 107(b) (2006).

<sup>64</sup> Memorandum Opinion & Order at 17, *Winstead*, *supra* note 6. Judge Lynn noted that: "The law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy." *Id.* (quoting *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 563 (1985)).

<sup>65</sup> Memorandum Opinion & Order at 17, *Winstead*, *supra* note 6.

<sup>66</sup> *Id.*



“factual or informational.”<sup>67</sup> He concluded that the copied works fell “a bit farther from the core of intended copyright protection than do other, more creative works” and that therefore the second factor favored fair use.

### Third Factor

Both judges linked the amount of permitted copying under the third factor to the purpose and character of the use.<sup>68</sup> The third factor focuses on “the amount and substantiality of the portion [of the work] used in relation to the copyrighted work as a whole.”<sup>69</sup> In both cases, the Defendants copied entire articles.<sup>70</sup> Judge Keyes noted the “new and different purpose” that the Defendants’ copying served and concluded that the third factor favored fair use.<sup>71</sup> Copying entire articles was “essential” because the Defendants needed to review the entire articles for relevant information they had to disclose in the application process.<sup>72</sup> The amount of copying was “consistent” with the defendant’s purpose and therefore supported fair use.<sup>73</sup> Judge Lynn also determined that the Defendants’ need fulfill ethical obligations under the PTO’s disclosure requirements mitigated the negative impact of copying entire works.<sup>74</sup> She also noted the transformative use of the copies. Judge Lynn, however, was less willing to declare the third factor in favor of fair use. Instead, she concluded that the third factor was neutral or “only slightly against” a finding of fair use.<sup>75</sup>

---

<sup>67</sup> Report & Recommendation at 37, *Schwegman*, *supra* note 6. Judge Keyes noted that: “[t]he scope of fair use is greater when ‘informational’ as opposed to more ‘creative’ works are involved.” *Id.* at 36 (quoting *Hustler Magazine, Inc. v. Moral Majority, Inc.*, 796 F.2d 1148, 1153–54 (9th Cir. 1986)).

<sup>68</sup> Both judges noted that the amount of permitted copying under the third factor depends on the “purpose and character of the use.” Report & Recommendation at 38, *Schwegman*, *supra* note 6 (quoting *Castle Rock Entm’t, Inc. v. Carol Publ’g Group*, 150 F.3d 132, 144 (2d Cir. 1998)); Opinion & Order at 18, *Winstead*, *supra* note 6 (quoting *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 586–87 (1994)).

<sup>69</sup> 107 U.S.C. § 107(c) (2006).

<sup>70</sup> Report & Recommendation at 38, *Schwegman*, *supra* note 6 (There is no dispute that *Schwegman* copied the Articles in their entirety.”); Memorandum Opinion & Order at 17, *Winstead*, *supra* note 6 (“Defendants copy [non-patent literature] in their entirety.”).

<sup>71</sup> Report & Recommendation at 38, *Schwegman*, *supra* note 6.

<sup>72</sup> *See id.*

<sup>73</sup> *Id.*

<sup>74</sup> Memorandum Opinion & Order at 18, *Winstead*, *supra* note 6.

<sup>75</sup> *Id.* at 19.

Fourth Factor<sup>76</sup>

The judges in both *Schwegman* and *Winstead* determined that the fourth factor<sup>77</sup> weighed in favor of fair use.<sup>78</sup> Both judges determined that the Defendants' copying did not usurp or adversely affect the market for the original articles.<sup>79</sup> Judge Keyes observed that there was no evidence that the Defendants' failure to pay a fee for use of the articles would "disincentivize the authors . . . from creating the work in the first place and distributing it to the traditional audience for the work or that this use would reduce demand for the original work. . . ."<sup>80</sup> The Plaintiffs argued that they lost licensing revenues for the copies.<sup>81</sup> Judge Keyes acknowledged that the Plaintiffs lost revenue if the Defendants did not obtain licenses.<sup>82</sup> He stated, however, that "this is not the sort of negative effect on the market that weighs heavily against a finding of fair use. If it were, then the market factor would always weigh in favor of the copyright holder and render the analysis of this factor meaningless."<sup>83</sup> He again distinguished the facts of *Texaco* by reiterating that the Defendants' use of the copies in *Schwegman* did not supersede the original use of the articles, which was the case in *Texaco*.<sup>84</sup> Judge Keyes determined that "the fact that the Publishers may have lost licensing revenue . . . is not determinative and does not create a fact issue for trial."<sup>85</sup> Judge Lynn in *Winstead* also rejected the Plaintiffs' argument that their loss of licensing fees supported a denial of fair use.<sup>86</sup> Judge Lynn stated that the determinative issue was the public benefit in the form of "minimiz[ing] excessive costs in patent applications and maximizes the accuracy of the patent process . . .

---

<sup>76</sup> See text accompanying notes 173-179 and **Error! Bookmark not defined.**-209 *infra* for additional discussion.

<sup>77</sup> The fourth factor focuses on "the effect of the use upon the potential market for or value of the copyrighted work." 17 U.S.C. § 107(4) (2006).

<sup>78</sup> Report & Recommendation at 36, *Schwegman*, *supra* note 6; Memorandum Opinion & Order at 19, *Winstead*, *supra* note 6.

<sup>79</sup> Report & Recommendation at 31, *Schwegman*, *supra* note 6 (There is no "evidence that the patent lawyers' use of the scientific Articles to meet their obligations to disclose prior art to the PTO adversely affects the traditional target market for these Articles."); Memorandum Opinion & Order at 19-20, *Winstead*, *supra* note 6 (The Defendants' "actions have no significant impact on the market for Plaintiffs' original articles."). Judge Lynn noted that most of the articles were older articles with a diminished value and copies were not distributed to the public. *Id.*

<sup>80</sup> Report & Recommendation at 31, *Schwegman*, *supra* note 6. See also *id.* at 41.

<sup>81</sup> The Plaintiffs noted that licensing was available and other law firms had obtained licenses.

Report & Recommendation at 32, *Schwegman*, *supra* note 6.

<sup>82</sup> *Id.*

<sup>83</sup> *Id.*

<sup>84</sup> *Id.* at 35.

<sup>85</sup> *Id.* at 33.

<sup>86</sup> Memorandum Opinion & Order at 20, *Winstead*, *supra* note 6.

.”<sup>87</sup> This benefit outweighed any potential gain to the Plaintiffs from potential fees.<sup>88</sup>

### III. Evolution of Transformative Use – A Focus on Different Purpose

The determinations of transformative use in *Schwegman* and *Winstead* fit within an evolving focus on and interpretation of transformative use that has developed over the twenty years since the Supreme Court decision in *Campbell*. The Supreme Court’s 1994 adoption of Pierre Leval’s transformative use analysis<sup>89</sup> altered courts’ overall treatment of Section 107’s four factors in fair use cases.<sup>90</sup> Studies of fair use decisions have determined that transformative use “overwhelmingly drives fair use analysis in the courts today.”<sup>91</sup> The Court’s

---

<sup>87</sup> *Id.* at 21-22.

<sup>88</sup> *Id.* at 22.

<sup>89</sup> In *Campbell*, the Supreme Court quoted Pierre N. Leval, *Commentary, Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1111 (1990) in its discussion. *Campbell*, 510 U.S. at 579. The Court stated that in addressing the first factor, “the central purpose” is to determine “whether the new work merely ‘supersede[s] 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 . . . in other words, whether and to what extent the new work is “transformative.” *Id.* (citations omitted).

<sup>90</sup> Neil Weinstock Netanel, *Making Sense of Fair Use*, 15 LEWIS & CLARK L. REV. 715, 719 (2011)

<sup>91</sup> *Id.* at 734, 736, 746; see also Michael D. Murray, *What is Transformative? An Explanatory Synthesis of the Convergence of Transformation and Predominant Purpose in Copyright Fair Use Law*, 11 CHI.-KENT J. INTELL. PROP. 260, 261 (2012) (“The transformative test . . . has become the defining standard for fair use.”); Matthew Sag, *Predicting Fair Use*, 73 OHIO ST. L.J. 47, 84 (2012) (“[E]vidence . . . confirms the centrality of transformative use.”). This dominance arose after 2005. Netanel, *supra* note 90, at 734. Initially, commentators grappled with the lack of clarity in decisions following *Campbell* that applied the transformative use analysis. See Matthew D. Bunker, *Transforming the News: Copyright and Fair Use in News-Related Contexts*, 52 J. COPYRIGHT SAC’S 309, 326 (2004) (“Criteria for transformativeness seem underdeveloped, if not absent.”); Diane Leenheer Zimmerman, *The More Things Change, the Less They Seem “Transformed”: Some Reflections on Fair Use*, 46 J. COPYRIGHT SOC’Y 251, 251 (1998) (“[T]he use of the term [transformative] seemed governed by no set meaning, and the conclusions reached about transformativeness -- its presence or absence -- were wildly divergent.”). Commentators on overall fair use analysis also found that decisions were unpredictable. See David Nimmer, *“Fairest of Them All” and Other Fairy Tales of Fair Use*, 66 LAW & CONTEMP. PROBS. 263, 279 (2003) (“[H]ad Congress legislated a dartboard rather than the particular four fair use factors . . . it appears that the upshot would be the same.”). Later empirical studies demonstrated that fair use analysis is not “arbitrary and ad hoc.” Netanel, *supra* note 90, at 718. These later studies were Barton Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions, 1978-2005*, 156 U. PENN. L. REV. 549 (2008); Netanel, *supra* note 90; Sag, *supra*; Paula Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537 (2009).

discussion of transformative use did not provide a clear definition,<sup>92</sup> leaving the task to interpretations in future cases. Studies focused on courts' application of transformative use analysis have determined that in later cases courts have predominately focused on the purpose of the defendant's work rather than the character (content).<sup>93</sup> It is a different purpose, not "new expressive content" that is crucial.<sup>94</sup> Further, there are a significant number of cases finding a transformative use when the defendant copied the entire work without alteration and used it for a different purpose.<sup>95</sup>

Recent Second Circuit cases demonstrate the continuing focus on the defendant's purpose as a key part of transformative use analysis. In 2014 the Second Circuit Court of Appeals held in two very different cases that the defendant's use of an unaltered work was transformative because the use served a different purpose from the original use. These cases demonstrate the continuing focus on the defendant's purpose as a key part of transformative use analysis. In *Swatch Group Management Services, Ltd. v. Bloomberg L.P.*,<sup>96</sup> Bloomberg distributed to its subscribers an unauthorized copy of a recorded Swatch conference call involving company executives and investment analysts.<sup>97</sup> Bloomberg distributed an exact copy of the recording without any added commentary or alterations.<sup>98</sup> The Second Circuit determined that Bloomberg's use and distribution of the recording was fair use.<sup>99</sup> The focus of the Court's first factor analysis was on the different message and purpose of Bloomberg's dissemination.<sup>100</sup> The Court observed that the use of an unaltered work in news

---

<sup>92</sup> Netanel, *supra* note 90, at 746-747. In particular, it was unclear whether to be transformative a work should have a different purpose from the original, a different character, or both. *Id.* See Rebecca Tushnet, *Copy This Essay: How Fair Use Doctrine Harms Free Speech and How Copying Serves It*, 114 YALE L.J. 535, 546 (2004) (expressing concerns that "transformative" use required "new, critical meaning.")

<sup>93</sup> R. Anthony Reese, *Transformativeness and the Derivative Work Right*, 31 COLUM. J.L. & ARTS 467, 485 (2008); Murray, *supra* note 91, at 261; Netanel, *supra* note 90, at 747.

<sup>94</sup> Netanel, *supra* note 90, at 747.

<sup>95</sup> *Id.*; Reese, *supra* note 93, at 485.

<sup>96</sup> No. 12-2412-CV, 2014 WL 2219162 (2d Cir. May 30, 2014). This opinion amended and superseded an earlier opinion issued on January 27, 2014 (*Swatch Grp. Mgmt. Servs. Ltd. v. Bloomberg L.P.*, 742 F.3d 17 (2014)). In the earlier opinion, the court noted that uses may not be transformative but can still be fair use. The court did not discuss a different purpose as a basis for determining transformative use. *See* 742 F.3d at 28-30. The May 30<sup>th</sup> opinion contains substantial additional discussion of the defendant's purpose and the transformativeness of this purpose.

<sup>97</sup> The call was to discuss company earnings and was invitation-only. Media representatives were not invited to join the call. *Id.* at \*2.

<sup>98</sup> *Id.* at \*8.

<sup>99</sup> *Id.* at \*16.

<sup>100</sup> *Id.* at \*8. Bloomberg disseminated the recording to evidence "newsworthy information of what Swatch Group executives had said." Swatch used the call to assure analysts of the reliability of its

reporting can be transformative due to “the altered purpose or context of the work.”<sup>101</sup> Bloomberg’s use of the work was transformative without the addition of any commentary because “a secondary work ‘can be transformative in function or purpose without altering or actually adding to the original work.’”<sup>102</sup>

Later in 2014 the Second Circuit Court of Appeals again focused on the defendant’s purpose in a case involving a very different type use than in *Swatch Group v. Bloomberg*. In *Authors Guild, Inc. v. HathiTrust*,<sup>103</sup> the Court of Appeals ruled that the copying of copyrighted works for a searchable full-text database and for providing access for the print disabled to digitized works constituted fair use.<sup>104</sup> In its first factor analysis, the Court emphasized that “a transformative work is one that serves a new and different function from the original work and is not a substitute for it.”<sup>105</sup> The Court determined that the creation of the database was a “quintessentially transformative use.”<sup>106</sup> The defendants’ purpose was to create a searchable database while the authors’ purpose was to provide access to the content of the works.<sup>107</sup> The Court concluded that “the full-text search function does not ‘supersede[] the objects [or purposes] of the original creation.’” Notably, the Court added “or purposes” to the quote from *Campbell* that focuses on substitution for the work itself.<sup>108</sup> While the Court found that the creation of the full-text database was a transformative use, it rejected the District Court’s decision that providing access to the print disabled

---

previously announced earnings. The Court of Appeals contrasted Bloomberg’s message (“This is what they said”) with Swatch’s message (“This is what you should believe”). The Court also noted that Bloomberg’s use of the recording was “in the nature of news reporting” and “served the important public purpose” of circulating valuable financial information. *Id.* at \*6; \*9; \*16.

<sup>101</sup> *Id.* (citing *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 609–610 (2d Cir. 2006); *Nunez v. Caribbean Int’l News Corp.*, 235 F.3d 18, 22–23 (1st Cir. 2000)).

<sup>102</sup> *Id.* (quoting *A.V. ex rel. Vanderhye v. iParadigms, L.L.C.*, 562 F.3d 630, 639 (4th Cir.2009)).

<sup>103</sup> No. 12-4547-CV, 2014 WL 2576342 (2d Cir. June 10, 2014).

<sup>104</sup> *Id.* at \*15.

<sup>105</sup> *Id.* at \*6. The Court of Appeals disagreed with the District Court that simply “adding value or utility” would constitute a transformative use.

<sup>106</sup> *Id.* at \*7.

<sup>107</sup> *See id.* The defendants scanned entire works to build a searchable database. Although the entire work was in the database, HathiTrust’s search engine did not provide any access to the text of a work unless the copyright holder had given permission. *Id.* at \*1. There was no evidence that the authors created the works for “the purpose of enabling text searches” *Id.* at \*7. The district court had determined that the purpose of the database was “entirely different” from the original purpose for the authors’ works. “[T]he purpose [was] superior search capabilities rather than actual access to copyrighted material.” *Authors Guild, Inc. v. HathiTrust*, 902 F. Supp. 2d 445, 460 (S.D.N.Y. 2012) *aff’d in part, vacated in part*, 12-4547-CV, 2014 WL 2576342 (2d Cir. June 10, 2014).

<sup>108</sup> The Supreme Court in *Campbell* was quoting *Folsom v. Marsh*, 9 F. Cas. 342, 348 (C.C.D. Mass. 1841).

was transformative.<sup>109</sup> The Court of Appeal's reasoning was that providing access to the print disabled was simply expanding the numbers of possible users for the same purpose that the authors created the original works.<sup>110</sup> Converting text to a more accessible format did not change the purpose. Although providing access to the print disabled was not a transformative use, it was still a "valid purpose" that favored fair use.<sup>111</sup> The Court of Appeals found the defendants' purpose to be the critical determination in its first factor analysis.<sup>112</sup>

In *Swatch Group* and *HathiTrust* the Second Circuit affirmed that a use can be transformative without any changes in the original work if the defendant's purpose is different from the original. The Court grounded its analysis in these cases in its previous decisions and in other circuit court opinions. One of the Court's previous decisions that it cited was *Bill Graham Archives v. Dorling Kindersley Ltd.*<sup>113</sup> In that case, the Court of Appeals held that the use of reduced-size, unaltered images of posters in a biographical work was "separate and distinct from the original . . . purpose for which the images were created."<sup>114</sup> This "transformatively different" use supported a finding of fair use under first factor analysis.<sup>115</sup> After referencing its earlier decision in *Bill Graham Archives*, the Court of Appeals also enumerated cases in other circuits that had followed this transformative use analysis.<sup>116</sup> These references show the continuing development and support for finding transformative use based solely on different purpose. All of these cases that the Court of Appeals referenced rely on the transformative use analysis in *Campbell*,<sup>117</sup> but further clarify its application. The Fourth Circuit Court of Appeals summarized the analysis in *A.V. ex rel. Vanderhye v. iParadigms, LLC*<sup>118</sup>: "The use of a copyrighted work need not alter or augment the work to be transformative in nature. Rather, it can be transformative in function or purpose without altering or actually adding to the

---

<sup>109</sup> No. 12-4547-CV, 2014 WL 2576342, at \*11.

<sup>110</sup> *Id.*

<sup>111</sup> *Id.* at \*12. The Court of Appeals noted that the legislative history of Section 107 expressly identified the making of free copies for the print-disabled as an example of a fair use. *Id.* (referring to H.R. REP. NO. 94-1476, at 73 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5686.)

<sup>112</sup> While the defendants did not change the original works, the Court of Appeals noted that the search capabilities in the database added "something new" with a different purpose and character. *Id.* at \*7.

<sup>113</sup> 448 F.3d 605 (2d Cir. 2006).

<sup>114</sup> *Id.* at 610.

<sup>115</sup> *Id.* at 610, 612.

<sup>116</sup> *Swatch Group*, 2014 WL 2219162, at \*8; *HathiTrust*, 2014 WL 2576342 at \*7.

<sup>117</sup> *Campbell*, 510 U.S. at 579.

<sup>118</sup> 562 F.3d 630 (4th Cir. 2009).

original work.”<sup>119</sup> The Ninth Circuit Court of Appeals relied on this same analysis in finding transformative in two cases. *Perfect 10, Inc. v. Amazon.com, Inc.*<sup>120</sup> and *Kelly v. Arriba Soft Corp.*<sup>121</sup> both involved the use of low-resolution thumbnail versions of copyrighted images as internet search tools. The Ninth Circuit held in both cases that the use of the images was transformative even though there were no alterations in those images.<sup>122</sup> In *Kelly*, the Ninth Circuit held that the defendant’s use was transformative because the defendant had “created a different purpose for the images” and was not “superseding” the plaintiff’s use.<sup>123</sup> In *Perfect 10*, the Ninth Circuit followed its reasoning in *Kelly*, reiterating that: “[E]ven making an exact copy of a work may be transformative so long as the copy serves a different function than the original work.”<sup>124</sup>

#### IV. Purpose as Predictive

In these recent cases and in the prior decisions in other circuits, courts have consistently demonstrated the willingness to designate use of unaltered works as transformative when the defendant’s purpose is different from the original.<sup>125</sup> These cases substantiate the trend identified in studies by Professors

<sup>119</sup> *Id.* at 639. In *iParadigms*, the defendant used the full text of student papers to create a searchable database for determining plagiarism. There was no alteration in the papers. Users of the database could not see the papers themselves but could see matches with language in works they submitted for comparison. *See id.* at 64–636. The court determined that the defendant’s use of the works was transformative because it “had an entirely different function and purpose than the original works.” *Id.* at 639–640.

<sup>120</sup> 508 F.3d 1146 (9th Cir. 2007).

<sup>121</sup> 336 F.3d 811 (9th Cir. 2003).

<sup>122</sup> *Perfect 10*, 508 F.3d at 1165; *Kelly*, 336 F.3d at 819.

<sup>123</sup> *Kelly*, 336 F.3d at 819. The defendant’s use of the image was to “improve access to information on the internet.” The plaintiff’s purpose was “artistic expression.” *Id.*

<sup>124</sup> *Perfect 10*, 508 F.3d at 1165 (citing *Kelly*, 336 F.3d at 818–19). In *Kelly* and *Perfect 10*, the Ninth Circuit relied on a First Circuit case, *Núñez v. Caribbean Int’l News Corp.*, 235 F.3d 18 (1st Cir. 2000). In that case the defendant used unaltered photos of a female model as the focus of a newspaper story about the photos. The First Circuit Court of Appeals determined that the use of the photos was a transformative use because the defendant’s use (news) was different from the original purpose for the photos (use in a modeling portfolio). *Id.* at 23. The Second Circuit Court of Appeals cited *Núñez* in both *Swatch Group* and *HathiTrust*. *Swatch Group*, 2014 WL 2219162, at \*8; *HathiTrust*, 2014 WL 2576342 at \*7.

<sup>125</sup> Two additional cases fit with these cases. The District Court for the Southern District of New York found transformative use in two cases in which the defendants had a different purpose for their use and also added “something new” to the copied works. These cases differ from the other cases which have focused on different purpose because in these Southern District cases the court determined that the defendants added to the works. In *Authors Guild, Inc. v. Google Inc.*, the District Court held that Google’s digitization of entire books to create search tool was “highly transformative.” Google’s use of these unaltered works was to create “pointers” to direct users to books. This was a different purpose than the purpose for the creation of the original works. 954

Reese<sup>126</sup> and Netanel<sup>127</sup> that the key factor in determining transformative use is “whether the use is for a different purpose than that for which the copyrighted work was created,” not the addition of “new expressive content.”<sup>128</sup>

As commentators have suggested, however, there still needs to be further guidance as to whether a particular purpose will qualify as transformative.<sup>129</sup> The goal is greater predictability regarding the applicability of fair use in a given situation.<sup>130</sup> Professor Neil Netanel discusses that determining whether a use is transformative requires comparing the plaintiff’s purpose for the original work and the defendant’s purpose in using the work.<sup>131</sup> He submits that the focus should be on the difference in purpose and not on the nature “of the defendant’s use in and of itself.”<sup>132</sup> Yet, as he notes, “there seem to be certain types of uses that correlate positively with a finding of fair use.”<sup>133</sup> This correlation denotes that the specific nature of the defendant’s use is relevant in predicting a court’s analysis in a fair use case. Professor Pam Samuelson classified fair use cases into “policy-relevant clusters”<sup>134</sup> and determined that “it is generally possible to

---

F. Supp. 2d 282, 291 (S.D.N.Y. 2013), *appeal filed*, No. 13-04829 (2d Cir. Dec 23, 2013). The court cited *Perfect 10*, *Kelly* and *Bill Graham Archives* in its discussion of transformative use. *Id.* In another case, the Southern District of New York determined that the inclusion of digitized legal briefs, memoranda and documents in searchable databases was fair use. Memorandum and Order, *White v. West Publishing Corp.*, No. 12-cv-01340 (S.D.N.Y. July 3, 2014). The court determined that the database providers’ use of the digitized documents was transformative. The database providers used the documents to provide “an interactive legal research tool.” *Id.* at 5. This purpose was different from the reason for the original creation of the documents, which was to provide legal services. The defendants had also added “something new” to the documents through coding, linking and other modifications. *Id.*

<sup>126</sup> Reese, *supra* note 93.

<sup>127</sup> Netanel, *supra* note 90.

<sup>128</sup> *Id.* at 747. Netanel notes that adding or modifying expressive content can be helpful, but it a different purpose that is critical to the determination of transformative use. *Id.*

<sup>129</sup> Reese, *supra* note 93, at 494-495; *see* Netanel, *supra* note 90, at 749.

<sup>130</sup> *See* Netanel, *supra* note 90, at 718. Greater predictability could help reduce what James Gibson refers “doctrinal feedback.” James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882, 898-900 (2007). Continuing uncertainty as to whether certain uses of copyrighted works would qualify as fair use can result in risk adverse users paying for licenses they do not need.

<sup>131</sup> Netanel, *supra* note 90, at 749-50.

<sup>132</sup> *Id.*

<sup>133</sup> *Id.* at 750. A closer look at the defendants’ purposes in the transformative use cases validates the observation that certain purposes favor a finding of fair use. For example, *HathiTrust*, *Perfect 10*, *Kelly*, *iParadigms*, *Authors Guild v. Google*, and *White v. West Publishing* involved digitizing copyrighted works to create searchable databases. The Second Circuit Court of Appeals concluded in *HathiTrust* that “the creation of a full-text searchable database is a quintessentially transformative use.” *HathiTrust*, at \*7.

<sup>134</sup> Samuelson, *supra* note 91, at 2541; *see id.* at 2544-46 for a summary of the clusters.



predict whether a use is fair or unfair” by analyzing the use “in light of cases previously decided in the same policy cluster.”<sup>135</sup> Identifying a defendant’s use as part of a common category of purposes can, at the least, support an argument that a court should treat the defendant’s use the same.<sup>136</sup>

In *Schwegman* and *Winstead*, the defendants’ use fit within a recognized category of uses that have merited fair use treatment. The judges determined that the defendants’ use of the copyrighted works was for the purpose of providing evidence in a quasi-judicial proceeding. There has been consistent recognition of fair use when defendants have used copyrighted works without permission in connection with judicial proceedings.<sup>137</sup> This usage includes submitting a copyrighted work as evidence<sup>138</sup> and using a copyrighted work for trial related purposes.<sup>139</sup> These cases illustrate how, when a defendant’s use is within a recognized category for fair use treatment, the fair use analysis hinges on the identification of purpose and not on a deeper analysis. Many of the cases do not provide analysis but simply state, with little or no citation, that the defendant’s unauthorized use of a work in a judicial proceeding is fair use.<sup>140</sup> The opinions

<sup>135</sup> *Id.* at 2542. In discussing the clusters, Samuelson identified “policies underlying modern fair use law” that support the uses within each policy cluster. *Id.* at 2541-42.

<sup>136</sup> Paul Goldstein, *Fair Use in Context*, 31 COLUM. J.L. & ARTS 433, 442-43 (2008); Michael J. Madison, *A Pattern-Oriented Approach to Fair Use*, 45 WM. & MARY L. REV. 1525, 1667 (2004).

<sup>137</sup> Netanel, *supra* note 90, at 750; Samuelson, *supra* note 91, at 2592-94. Congress identified the “reproduction of a work in ... judicial proceedings” as an example of “the sort of activities that the courts might regard as fair use under the circumstances.” House Committee on the Judiciary, H.R. Rep. No. 94-1476, at 65, (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5678. *See also* ALAN LATMAN, FAIR USE OF COPYRIGHTED WORKS, STUDY NO. 14, COPYRIGHT LAW REVISION, STUDIES PREPARED FOR THE SUBCOMM. ON PATENTS, TRADEMARKS AND COPYRIGHTS, S. COMM. ON THE JUDICIARY, 86TH CONG. 13 (Comm. Print 1960) (“It would seem that great latitude would be accorded [use of copyrighted material in connection with pending litigation.]”); MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05[D][2] (2013) (“Works are customarily reproduced in various types of judicial proceedings . . . and it seems inconceivable that any court would hold such reproduction to constitute infringement either by the government or by the individual parties responsible for offering the work in evidence.”)

The exceptions to this recognition occur when the defendant uses a copyrighted work the plaintiff prepared for the litigation. *E.g.*, *Images Audio Visual Prods., Inc v. Perini Bldg Co Inc.*, 91 F.Supp.2d 1075 (E.D. Mich. 2000) (Defendant made extra copies of photographs that plaintiff created specifically for arbitration proceedings). In these situations, the purpose is no longer different because the plaintiff created the original work for the same purpose as the defendant’s use: to serve as evidence.

<sup>138</sup> *E.g.*, *Bond v. Blum*, 317 F.3d 385 (4th Cir. 2003).

<sup>139</sup> *E.g.*, *Religious Tech. Ctr. v. Wollersheim*, 971 F.2d 364 (9th Cir. 1991) (attorney used copied documents to prepare witnesses); *Sturgis v. Hurst*, 86 U.S.P.Q.2d 1444 (E.D. Mich. 2007) (defendant used excerpts from plaintiff’s work for cross examination).

<sup>140</sup> *E.g.*, *Stephens v. Hayes*, 374 Fed. Appx. 620, 624 (6th Cir. 2010); *Religious Tech Ctr.*, 971 F.2d at 367.

that provide fair use analysis focus on the purpose for the use of the copyrighted works in proceedings and how this use differs from the original use.<sup>141</sup> The defendant's use of the works in these cases is for evidence.<sup>142</sup>

## V. Purpose, Fourth Factor Analysis and Fair Use Markets

Determining whether the defendant's purpose fits within an identified group of uses that have supported fair use in the past can bolster a claim for fair use. It is essential to do more, however, than just identify whether a purpose fits within a group. Delving deeper into a purpose's underlying reasoning and policy "provides another dimension" that "sharpens awareness" of how to apply the statutory factors.<sup>143</sup> Reliance on the designation of a use as "transformative" and basing this designation on difference in purpose can be problematic. In some cases, there remains a difference between a "transformative" use that requires an alteration in the work and a use that is simply different. Despite the focus on purpose and the acceptance of fair use in the absence of alteration there remains the impression that to be "transformative" to meet the *Campbell* test a defendant's use of a work should involve some change in the original.<sup>144</sup> Professor Samuelson refers to a use of work without an alternation in the work as an "orthogonal use" and separates these uses from truly "transformative" uses.<sup>145</sup> Samuelson's distinction in terminology highlights that the use of a work can still

---

<sup>141</sup> While judges discuss the fair use factors, they often do not discuss transformative use. Some decisions were before *Campbell*, but the decisions after *Campbell* also fall into this category. The opinions, however, do discuss the purpose for the use. In these cases the defendants have not altered the original work. Most decisions focus on the different purpose for the use and the strong support for the use of works in judicial proceedings and do not consider the lack of alteration. The judges in *Schwegman* and *Winstead* discussed transformative use.

<sup>142</sup> See *infra* text accompanying notes 201-203. Professor Samuelson categorizes the use of copyrighted works in quasi-judicial and judicial proceedings as one of several "foreseeable uses" that Congress identified could merit fair use protection. Samuelson, *supra* note 91 at 2587-88. The policies that underlie this use are "truth telling," and "truth seeking." *Id.* at 2546, 2595 (quoting *Perini*, 91 F. Supp. 2d at 1083).

<sup>143</sup> Samuelson, *supra* note 91, at 2542.

<sup>144</sup> See, e.g., *Perini*, 91 F. Supp. 2d at 1081 (determining that the use of a work was not "transformative" and then discussing whether the defendant used the work for a different purpose). In *Schwegman*, Judge Keyes maintains that the first factor favors fair use due to the defendants' different purpose for using the works even though the "lack of alteration may make the label 'transformative' a messy fit . . . since the 'transformative use' label is most apt when a secondary work . . . actually alters the content . . . ." Report & Recommendation at 24, *Schwegman*, *supra* note 6. The word "transform" suggests a change in character of the work rather than use.

<sup>145</sup> Samuelson, *supra* note 91, at 2544 n. 40; 2593. Samuelson suggests that "[a] lthough *Campbell* defines 'transformative' in a way that encompasses uses for different purposes, copyright law will be more comprehensible and coherent if iterative copying for orthogonal purposes is distinguished from truly transformative uses of prior works."

meet the underlying policies of fair use and be “socially beneficial” without a change in the work.<sup>146</sup> Obtaining the “transformative” label can be beneficial, but defendants need a more in-depth analysis of their purpose and its underlying policy. An understanding of underlying policy can become critical when considering the fourth factor, particularly if a court determines that the use is not “transformative” due to lack of alternation in the work.

While Pierre Leval referred to the first factor as “the soul of fair use,”<sup>147</sup> he also noted “the close interdependence of the first and the fourth factors.”<sup>148</sup> The fourth factor addresses “the effect of the use upon the market for, or value of, the copyrighted work.”<sup>149</sup> The evaluation focuses on whether the defendant’s use substitutes for the original work and usurps the market for the original.<sup>150</sup> The first factor, in Leval’s view, focuses on whether the defendant’s use transforms the “material into a new purpose or message, distinct from the purposes of the original.” The more that the defendant uses the “material for new transformed purposes, the less likely it is that the appropriative use will be a substitute for the original.” There would then be less of an impact on the market for the original.<sup>151</sup>

Whether the defendant’s use of the copyrighted work results in a substitution for the original requires a review of the defendant’s purpose. In some cases, the court needs to do little additional review of the defendant’s purpose beyond the initial analysis under the first factor due to lack of market impact. The use of copyrighted works in quasi-judicial and judicial proceedings is a good example when there is little additional analysis of purpose needed. In most cases in which defendants used copyright works for judicial or quasi-judicial proceedings the fourth factor favored the defendants.<sup>152</sup> The use of the work in

---

<sup>146</sup> *Id.* at 2593.

<sup>147</sup> Leval, *Toward a Fair Use Standard*, *supra* note 89, at 1116.

<sup>148</sup> Pierre N. Leval, *Campbell v. Acuff-Rose: Justice Souter's Rescue Of Fair Use*, 13 CARDOZO ARTS & ENT. L.J. 19, 22 (1994).

<sup>149</sup> 17 U.S.C. § 107(4).

<sup>150</sup> *NXIVM Corp. v. Ross Inst.*, 364 F.3d 471, 481-82 (2d Cir. 2004) (citing *Campbell*, 510 U.S. at 593).

<sup>151</sup> Leval, *Campbell v. Acuff-Rose*, *supra* note 148, at 22.

<sup>152</sup> Samuelson notes that: “Investigatory and litigation uses are, moreover, generally unlikely to harm the market for a work. In view of this, courts should probably presume that investigation and litigation uses of works are fair.” Samuelson, *Unbundling Fair Uses*, *supra* note 91, at 2596. In *Campbell*, the Supreme Court discussed that more transformative the work the less likely the affect on the market. A very different work and purpose for a work would likely mean that the work was not competing in the same market. The use of copyrighted works for judicial and quasi-judicial proceedings is for a different purpose unrelated to the original use. The exception is when the work was prepared specifically for the litigation purposes. Then the use is the same and competes in the same market.

these cases had little or no effect on the market for the work,<sup>153</sup> if a market even existed.<sup>154</sup> For most cases involving the use of a copyrighted work as evidence, the inquiry into market effect ends with an assessment that there is no substitution for the original work or usurpation of the market. The basic identification of the defendant's purpose as the use of the work for evidence is enough for the limited fourth factor analysis.

In the *Schwegman* and *Winstead* cases the judges found that the defendants' use of the articles had no effect on the market for the original articles or journals in which they appeared.<sup>155</sup> There was also no effect on the incentive of the authors to produce articles.<sup>156</sup> In these cases, however, the Plaintiffs also argued that they lost fee revenue when the Defendants made copies of the articles.<sup>157</sup> The Plaintiffs noted that other patent firms were purchasing licenses through the Copyright Clearance Center, and inferred that the purchases were in

---

<sup>153</sup> A good example of a case in which the defendant's use had no effect on the market is *Jartech, Inc. v. Clancy*, 666 F.2d 403 (9th Cir. 1982). In that case, an investigator surreptitiously recorded parts of films shown in a movie theater. The plaintiffs held the copyright for the films. The clips were later used as evidence in a nuisance abatement proceeding. *Id.* at 405. While there was a market for the films, the use of the clips in no way substituted for the original films or affected the market. *See id.* at 407.

<sup>154</sup> Two cases illustrate the lack of a market for the original work. In *Scott v. WorldStarHipHop, Inc.*, 10 CIV 9538 PKC RLE, 2011 WL 5082410 (S.D.N.Y. Oct. 25, 2011), the plaintiff, a student, engaged in an altercation in a classroom with two fellow students. Another student videotaped the altercation on a cell phone. The plaintiff purchased, for one dollar, a copy of the cell phone video recording from the person who made the recording. *Id.* at \*1. The plaintiff registered the video and then claimed copyright infringement when the defendants used a copy of the recording as evidence in a disciplinary proceeding. *Id.* at \*2. The court found that there was unlikely any market for the video. *Id.* at \*8. In *Bond v. Blum*, 317 F.3d 385, 391(4th Cir. 2003), the defendants intended to introduce the plaintiff's unpublished manuscript as evidence in a child custody proceeding. The plaintiff registered the work for the purpose of prohibiting its use in the proceeding. *Id.* There was no evidence that the introduction of the manuscript into evidence would affect its marketability. The district court noted that the use might perversely increase the value of the work. *Id.* at 396-397. These two cases also illustrate the use of copyright as a tool to control the use of a work in litigation or other proceedings. The primary concern of the plaintiff is not the effect on the market for the work but on stopping the use of the work in a proceeding. *See* Wendy J. Gordon, *Fair Use As Market Failure: A Structural and Economic Analysis of the Betamax Case and Its Predecessors*, 82 COLUM. L. REV. 1600, 1634-35 (1982) (discussing market failure when a person's refusal to allow use of a copyright work is for reasons not related to the goals of copyright). *See also* Stephen McIntyre, *Private Rights and Public Wrongs: Fair Use as a Remedy for Private Censorship*, 48 GONZ. L. REV. 61, 75-76 (2013).

<sup>155</sup> Report & Recommendation at 31, *Schwegman*, *supra* note 6; Memorandum Opinion & Order, *Winstead* at 19, *Winstead*, *supra* note 6.

<sup>156</sup> Report & Recommendation at 31, *Schwegman*, *supra* note 6.

<sup>157</sup> Memorandum Opinion & Order at 19, *Winstead*, *supra* note 6.

connection with patent applications.<sup>158</sup> Citing *Texaco*, the Plaintiffs argued that there was “a ready market or means to pay for the use.”<sup>159</sup> This evidence, the Plaintiffs argued, should weigh heavily against fair use. In *Texaco*, the court noted that the existence of a “workable market for institutional users to obtain licenses” to produce copies of articles.<sup>160</sup> Since there was a “ready market” the court determined that *Texaco*’s use was “less fair” and ultimately that plaintiffs had sustained substantial harm due to lost revenue.<sup>161</sup> The Plaintiffs in *Schwegman* also referenced<sup>162</sup> *Princeton University Press v. Michigan Document Services, Inc.*,<sup>163</sup> for support that the existence of a licensing market and the “the potential for the destruction of this market by circumvention of the plaintiffs’ permission fee system” was enough to “negate fair use.”<sup>164</sup>

The Plaintiffs’ reliance on the availability of a “ready” license system with current users to “negate” fair use demonstrates a continuing effort to focus fourth factor analysis primarily or even solely on the copyright holder’s incentives and rewards. Their focus is on whether the use *can* be paid for, without consideration of whether the use *should* be paid for.<sup>165</sup> Scholars have challenged this view, arguing that fair use can apply even when there is a licensing market available.<sup>166</sup> Courts have also scrutinized the “ready market” argument more closely and

---

<sup>158</sup> Report & Recommendation at 32, *Schwegman*, *supra* note 6; Plaintiffs’ Objections Pursuant To Fed.R.Civ.P. 72(A) and Local Rule 72.2(B) to the Magistrate Judge’s Report and Recommendation Entered July 30, 2013, at 13 (Aug. 13, 2013), *Schwegman*, *supra* note 6.

<sup>159</sup> Plaintiffs’ Objections at 13, *Schwegman*, *supra* note 6 (quoting *Texaco*, 60 F.3d at 931).

<sup>160</sup> *Texaco*, 60 F.3d at 930. The court also referred to a “viable market for licensing.” *Id.*

<sup>161</sup> *Id.* at 930-31.

<sup>162</sup> Plaintiffs’ Objections at 13,14-15, *Schwegman*, *supra* note 6.

<sup>163</sup> 99 F.3d 1381 (6th Cir. 1996), *cert. denied*, 117 S. Ct. 1336 (1997).

<sup>164</sup> *Id.* at 1388.

<sup>165</sup> This statement is based on Mathew Africa’s description of the differing approaches of the majority and the dissent in *Texaco*: “In effect, the majority asked, ‘Can the use be paid for?’ By contrast, the dissent asked, ‘Should the use be paid for?’” Matthew Africa, *The Misuse of Licensing Evidence in Fair Use Analysis: New Technologies, New Markets, and the Courts*, 88 CAL. L. REV. 1145, 1162 (2000).

<sup>166</sup> *Id.* at 1148-49 (“[I]t is a mistake to think that just because a use could have been licensed it should have been licensed.”). Lydia Pallas Loren, *Redefining the Market Failure Approach to Fair Use in an Era Of Copyright Permission Systems*, 5 J. INTELL. PROP.L. 1, 50 (1997) (“The fact that a copyright owner has been able to convince others to pay the fee demanded and therefore now can claim to have a “workable” permission system should not change the analysis.”); Wendy J. Gordon & Daniel Bahls, *The Public’s Right to Fair Use: Amending Section 107 to Avoid the “Fared Use” Fallacy*, 2007 UTAH L. REV. 619, 658 (2007) (“Copyright law needs to make clear that any reproduction . . . can potentially need and deserve fair use, despite the presence of an owner willing to license.”); Wendy J. Gordon, *Fair Use Markets: On Weighing Potential License Fees*, 79 GEO. WASH. L. REV. 1814, 1820 (2011) (“it is perfectly possible within the rhetoric of markets to make the case for fair use even when licensing revenues for the contested use are physically available. . .”).

refused in some cases to weight the fourth factor against defendants even when there was licensing system in place.<sup>167</sup> Still, copyright holders persist in further developing licensing systems and arguing for recognition of these systems in fair use analysis. This continuing persistence fosters uncertainty among users and encourages risk adverse behavior.<sup>168</sup> Even when courts have rejected the “ready market” argument, the decisions sometimes leave open the possibility that the argument could still apply under different circumstances. In some cases, courts determined there was not a means of licensing the particular works at issue or in licensing the defendant’s type of use. There is the suggestion in these situations that if a means of licensing became available, then the plaintiff might prevail. For example, in *Cambridge University Press v. Becker*,<sup>169</sup> the plaintiff publishers argued that there was a licensing system available for excerpts of works that university professors placed in an e-reserve system for students. The court determined that the plaintiffs did not provide adequate evidence as to the availability of licenses for the excerpts in question.<sup>170</sup> The court noted, however, that the plaintiff publishers’ “right, as owners of the copyrights, to collect fees for use of excerpts from their books . . . is a powerful argument countering fair use which counsels against Defendants’ position when excerpts are readily available, in a convenient format, for a reasonable fee, and the fees are not paid.”<sup>171</sup> This language in *Cambridge v. Becker* suggests that a court can decide that the “right to collect fees” can overpower other factors, such as the educational, nonprofit use of works that were at issue in that case. In predicting possible fair use outcomes, simply focusing on the nature of the defendant’s use may not be enough to overcome an argument that the plaintiff can show a licensing market. Defendants should urge the court to apply an analysis of the fourth factor that considers not just whether there is a way to pay for the use but whether the defendant *should* pay.<sup>172</sup>

In *Schwegman* and *Winstead*, the judges rejected the Plaintiffs’ “ready market” argument that the loss of licensing fees supported a denial of fair use.<sup>173</sup> Both judges considered the Defendants’ purpose in analyzing the fourth factor. In

---

<sup>167</sup> See, e.g., *Bill Graham Archives v. Dorling Kindersley, Ltd.*, 448 F.3d 605, 614-15 (2d Cir. 2006).

<sup>168</sup> For discussion of this user behavior, see Christina Bohannon & Herbert Hovenkamp, *IP and Antitrust: Reformation and Harm*, 51 B.C. L. REV. 905, 973-74 (2010); Africa, *supra* note 166, at 1172-73; Loren, *supra* note 166, at 43; James Gibson, *supra* note 130, at 884.

<sup>169</sup> 863 F. Supp. 2d 1190 (N.D. Ga. 2012).

<sup>170</sup> *Id.* at 1236-38.

<sup>171</sup> *Id.* at 1239.

<sup>172</sup> See discussion *infra*.

<sup>173</sup> Report & Recommendation at 33, *Schwegman* note 6; Memorandum Opinion & Order at 20, *Winstead*, note 6.

*Schwegman*, Judge Keyes provided a lengthy discussion of the close relationship between the defendant's purpose and the fourth factor as analyzed in *Bill Graham Archives*.<sup>174</sup> The Judge reiterated his finding that the Defendants' use was different from and did not supersede the original purpose. As in *Bill Graham Archives*, the availability of licensing did not dictate that the defendants had to pay.<sup>175</sup> Also, since the Defendants' use was within a "transformative market," the loss of any fees did not result in market harm to the Plaintiffs.<sup>176</sup> In his summary analysis of the four factors, Judge Keyes noted that the Defendants' use provided a public benefit that promoted the progress of science and useful arts.<sup>177</sup> While Judge Lynn in *Winstead* also discussed the Defendants' transformative purpose in analyzing the fourth factor, she found that "the determinative issue was the public benefit associated with the Defendants' use."<sup>178</sup> This benefit outweighed any potential gain to the Plaintiffs from fees.<sup>179</sup>

The fourth factor analysis, considerations and results in *Schwegman* and *Winstead* evoke Professor Wendy Gordon's discussion of the concept of "fair use markets."<sup>180</sup> The Second Circuit Court of Appeals stated the concept in *Castle Rock Entertainment, Inc. v. Carol Publishing Group, Inc.*<sup>181</sup> and applied it in *Bill Graham Archives v. Dorling Kindersley Ltd.*<sup>182</sup> A "fair use market" is one in which the availability of licensing will not preclude fair use. Further, in some circumstances, a court might not consider the availability of licensing at all in determining the fourth factor.<sup>183</sup> The Court of Appeals focused on

---

<sup>174</sup> Report & Recommendation at 33, *Schwegman* note 6.

<sup>175</sup> *Id.*

<sup>176</sup> *Id.* at 34.

<sup>177</sup> *Id.* at 41-42.

<sup>178</sup> Memorandum Opinion & Order at 21-22, *Winstead*, note 6.

<sup>179</sup> *Id.* at 22.

<sup>180</sup> Gordon, *Fair Use Markets*, *supra* note 166, at 1816.

<sup>181</sup> 150 F.3d 132, 145 n. 11 (2d Cir. 1998).

<sup>182</sup> 448 F.3d 605, 614-615 (2d Cir. 2006). The court stated: "[A] copyright holder cannot prevent others from entering fair use markets merely 'by developing or licensing a market for parody, news reporting, educational or other transformative uses of its own creative work. . . . [C]opyright owners may not preempt exploitation of transformative markets. . . .'" (quoting *Castle Rock*, 150 F.3d at 146 n. 11). The District Court in its opinion in *Bill Graham Archives* had also quoted *Castle Rock*. The District Court had elaborated that the reasoning for the Court of Appeals statement was that otherwise "a copyright holder could prevent the fourth factor from ever supporting fair use by licensing parodies, criticisms, or other uses and arguing that any such use that is not licensed invades on a "traditional" market." *Bill Graham Archives, LLC v. Dorling Kindersley Ltd.*, 386 F. Supp. 2d 324, 332 (S.D.N.Y. 2005), *aff'd sub nom.* *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605 (2d Cir. 2006).

<sup>183</sup> Gordon, *Fair Use Markets*, *supra* note 166, at 1841 (discussing the holdings in *Bill Graham Archives*).

“transformative” use as the criterion for a fair use market.<sup>184</sup> Professor Gordon finds this criterion “problematic”<sup>185</sup> and “incomplete”<sup>186</sup> due to the continuing lack of clarity and definition of the term transformative and its application. She redefines a “fair use market” as: “a market in which we cannot rely on the decisions of copyright holders to take into account all the relevant values and interests, or as a setting where available nonmarket interactions and institutions are likely to do a better job in advancing ‘Progress.’”<sup>187</sup> This definition covers transformative and nontransformative uses.<sup>188</sup> The removal of transformativeness as a criterion is important because it forces a deeper analysis and review of the defendant’s use. If the “transformative” label is available, it is easy to take a shallow approach and simply argue that if the use is transformative, then the copyright holder cannot interfere with a “transformative market.” If the use is not transformative, then there is no transformative market to raise a concern. Using transformativeness as a foundation is weak.<sup>189</sup> The analysis requires a review of the defendant’s purpose, and not just whether the purpose is different or even whether it adds something new. The review focuses on the societal benefits of the use. This deeper analysis echoes the calls of other scholars for a balanced analysis of the fourth factor that considers external societal benefits in addition to copyright holder’s interests.<sup>190</sup>

Professor Gordon offers examples of uses that could fit within her definition of a fair use market.<sup>191</sup> Uses of copyrighted works in quasi-judicial and judicial proceedings (including the patent application process) epitomize uses that are within a fair use market. These uses “employ copyrighted works as evidence,” which is one of Professor Gordon’s examples.<sup>192</sup> A further analysis of these uses illustrates the determination of a fair use market.

The purpose of the defendant’s use is still a key part of the analysis. The use of a copyrighted work in a legal proceeding is for the “evidentiary value of its

---

<sup>184</sup> See *id.* at 1842.

<sup>185</sup> *Id.*

<sup>186</sup> *Id.* at 1831 n. 98.

<sup>187</sup> *Id.* at 1842.

<sup>188</sup> *Id.* at 1842; see also *id.* at 1831 n. 98 (“[T]ransformativeness is incomplete as a criterion for disregarding foregone license fees, whether understood as alteration of content, or as alteration of purpose. I suggest that there are some bases for disregarding license fees that have nothing to do with transformativeness under either definition.”).

<sup>189</sup> The recent opinion of the Second Circuit in *Swatch Group, Inc. v. Bloomberg* illustrates how the use of the transformative label can drift. See *supra* note 96.

<sup>190</sup> Loren, *supra* note 166, at 56.

<sup>191</sup> Gordon, *Fair Use Markets*, *supra* note 166, at 1843-44.

<sup>192</sup> *Id.* at 1844.



content” and not for the same purpose as the original work.<sup>193</sup> For example, copied excerpts from films that city officials presented in a nuisance abatement proceeding were not used for entertainment (the original purpose) but as evidence that the showing of the films violated a city ordinance.<sup>194</sup> In the patent application cases, the judges determined that filing of articles with the applications was for an evidentiary purpose.<sup>195</sup> In *Winstead*, Judge Lynn adopted an analogy the PTO had used in its brief, likening the defendant law firm’s use of the articles to the use of hearsay. The defendants were not interested in the truth of the information in the articles, but rather in the existence of the information, whether it was true or not.<sup>196</sup> In proceedings cases, the different “evidentiary” purpose for the use supports a finding a fair use under the first factor. The finding of this different purpose also favors a finding under the fourth factor that there is no substitute for the original work, and little or no impact on the market for the original work (if one exists).<sup>197</sup> In the patent application cases, however, the plaintiffs claimed the loss of fee revenue due to the defendant’s failure to pay when there was an existing payment system available for the defendant’s type of use. At this point, the need to determine the existence of a fair use market arises. Under the Second Circuit’s application of the fair use market concept, the transformativeness of the defendant’s use provides the basis for the fair use market. In both *Schwegman* and *Winstead* the judges found that the use of the works was transformative. Judge Keyes in *Schwegman*, relied on *Bill Graham Archives* to determine that the plaintiffs could not show impairment to a “traditional, as opposed to a transformative market” and could therefore not claim licensing fees even though they had identified a payment system.<sup>198</sup>

Under Professor Gordon’s analysis the “transformative” label would not be determinative of whether there is a fair use market. The analysis would extend to consider the broader context for the defendant’s use and whether the market would take into account societal values and benefits relating the defendant’s use.

---

<sup>193</sup> *Bond*, 317 F.3d at 395.

<sup>194</sup> *Jartech*, 666 F.2d. at 407.

<sup>195</sup> Report & Recommendation at 22-23, 26-27, *Schwegman*, *supra* note 6; Memorandum Opinion & Order at 10-11, *Winstead*, *supra* note 6.

<sup>196</sup> Memorandum Opinion & Order at 10, *Winstead*, *supra* note 6. (citing Corrected Memorandum of Law In Support of USPTO’s Motion for Judgment on the Pleadings or Partial Summary Judgment on Its Fair Use Defense and Counterclaim at 12, *Winstead*, No. 3:12-cv-01230-M (N.D. Tex. Dec. 3, 2013). See Wendy Gordon, *Reality As Artifact: From Feist to Fair Use*, LAW & CONTEMP. PROBS. 93, 96-97, 98, 98-99 n. 26 (1992) (discussing the factual use of copyrighted works and comparing this use with the use of hearsay in evidence).

<sup>197</sup> See notes 153 and 154.

<sup>198</sup> See Report and Recommendation at 34, *Schwegman*, *supra* note 6 (citing *Bill Graham Archives*, 448 F.3d at 614).

In legal proceedings, defendants are using copyrighted works as evidence. A copyright holder has the right to require consent for use of works (including a payment), and may refuse consent for use of a work in a proceeding. With the use of copyrighted works as evidence there is a concern that a copyright holder may deny consent in order to block or control the use of the work for its evidentiary value.<sup>199</sup> This situation reflects factors that would suggest we cannot rely on the decisions of copyright holders to determine whether the defendant can use the work.<sup>200</sup> Further, the use of copyrighted works as evidence supports the policies of “truth telling.” and “truth seeking.”<sup>201</sup> There is an “important societal interest in having evidence before the factfinder.”<sup>202</sup> This societal interest in litigation is not just concern for the resolution of individual disputes. Litigation is conducted for the ultimate benefit of society in “supporting the cause of justice.”<sup>203</sup> Limitations on availability of evidence could ultimately jeopardize this policy. The self-interest of a copyright holder in withholding access to a copyrighted work or seeking remuneration does not account for this societal value. While the use of evidence in proceedings may not necessarily further creativity, the copyright law can support other important societal values. This acknowledgement of the importance of presenting evidence suggests that there are situations in which the copyright monopoly cannot stand. The monopoly cannot

---

<sup>199</sup> The case of *Grundberg v. Upjohn Co.*, 137 F.R.D. 372, 388 (D. Utah 1991), illustrates how a copyright holder could attempt to block the use of copyrighted works to limit or prevent use in a legal proceeding rather than to protect a market interest. In *Grundberg*, a products liability case, the defendant company attempted to block the use of company documents by registering copyright for those documents. The documents had been marked confidential but the plaintiffs sought to remove the confidentiality. The company sued the plaintiffs for copyright infringement. The court noted that the company was attempting to “thwart accessibility to the public of information contained in documents which may be offered and admitted into evidence in court proceedings.” The court held that the company could not assert a copyright interest “to impede or prevent the free use and accessibility of such documents in the context of this litigation.” *Id.* at 388.

<sup>200</sup> Examples of other situations in which copyright holders might attempt to suppress or control use of copyrighted works for nonmonetary reasons are when the defendant uses the work for criticism or parody. These situations also raise concerns about deferring to the copyright holder. See Wendy J. Gordon, *Excuse and Justification in the Law of Fair Use: Transaction Costs Have Always Been Only Part of the Story*, 50 J. COPYRIGHT SOC'Y U.S.A. 149, 186 (2003); Wendy J. Gordon, *Toward A Jurisprudence of Benefits: The Norms of Copyright and the Problem of Private Censorship*, 57 U. CHI. L. REV. 1009, 1042-43 (1990); (review essay); Wendy J. Gordon, *Fair Use As Market Failure*, *supra* note 154, at 1632-57.

<sup>201</sup> Samuelson, *supra* note 91, at 2546, 2595 (quoting *Perini*, 91 F. Supp. 2d at 1083). The court in *Perini* noted “that copyright protection must yield to the need to present a complete evidentiary record.” *Perini*, 91 F. Supp. 2d at 1086. The Federal Rule of Evidence 102 states that the purpose of the rules of evidence is to further “ascertaining the truth and securing a just determination.”

<sup>202</sup> *Bond*, 317 F.3d at 396.

<sup>203</sup> Chamberlayne, Charles P., *Modern Law of Evidence and Its Purpose*, 42 AM. L. REV. 757, 765 (1908).

override important policies such as those that support our judicial system. Fair use supports more than new creations. It supports policies and systems of societal value. These values support a finding of a fair use market for the use of copyrighted works in quasi-judicial and judicial proceedings.

In the patent application filing cases, the plaintiffs were not trying to manipulate the system for some nonmonetary gain. They clearly had a self-interest in obtaining fees. Deferring to their interests, however, would affect the public interest in the patent system. In both *Schwegman* and *Winstead* the judges discussed the importance of supporting the patent system and how ceding to licensing demands could affect its functioning. The patent system has a clear tie to constitutional support for “promoting progress.” Judge Keyes in *Schwegman* discussed the public benefit of the Defendants’ copying after an analysis of all four factors. He noted that the Defendants’ copying of articles and use of the copies “facilitate[d] the complete disclosure required in the patent-application process, assisting patent examiners in determining whether applications for patent protection should be granted, and, consequently, fulfilling the very same purpose of promoting science and the arts that the Copyright Act was intended to accomplish.”<sup>204</sup> He discussed that the use of copies in patent applications was similar to the use of copyrighted materials in the activities listed in the preamble of Section 107.<sup>205</sup> All of the activities listed in the Section 107 preamble “have the potential . . . to benefit the public by furthering the understanding of ideas or discoveries highlighted in a copyrighted work.”<sup>206</sup> The use of copies in patent applications also fulfills a public benefit much like these activities.<sup>207</sup> Both judges in analyzing the fourth factor recognized the importance of this public benefit and refused to let the plaintiffs’ ready market argument support a denial of fair use. Judge Lynn stated that the determinative issue was the public benefit in the form of “minimiz[ing] excessive costs in patent applications and maximizes the accuracy of the patent process . . . .”<sup>208</sup> This benefit outweighed any potential

---

<sup>204</sup> Report & Recommendation at 41-42, *Schwegman*, *supra* note 6.

<sup>205</sup> *Id.* at 41.

<sup>206</sup> *Id.*

<sup>207</sup> *Id.*

<sup>208</sup> Memorandum Opinion & Order at 21-22, *Winstead*, *supra* note 6. As part of her analysis of the first factor, Judge Lynn also considered the public benefit of the Defendants’ copying. *Id.* at 15-17 citing *Campbell*, 510 U.S. at 578; *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1523 (9th Cir. 1992) (“Public benefit need not be direct or tangible, but may arise because the challenged use serves a public interest.”)). She determined that the filing of non-patent literature in patent cases assists the PTO examiners in “more efficiently” determining patentability. *Id.* at 16 (citing Memorandum in Support of Motion to Intervene of the United States Patent and Trademark Office at 13, *Winstead*, No. 3:12-cv-01230-M (N.D. Tex. Aug. 3, 2012)). Requiring attorneys to get a license for every article they needed to review would “slow down the patent application process.” Memorandum Opinion & Order at 16, *Winstead*, *supra* note 6.

gain to the Plaintiffs from fees.<sup>209</sup> This analysis of the public benefit and determination that defendants could use copyrighted works in spite of the existence of a licensing system supports the existence of a fair use market.

The *Schwegman* and *Winstead* cases demonstrate how a closer and more in-depth analysis of the defendant's purpose can result in the identification of a fair use market. This identification can then support the defendant's use as a fair use in spite of the availability of a ready market for licenses. The further analysis of the use in these cases also demonstrates that it is possible to establish the existence of a fair use market without relying on a "transformative" label for the use. If the use in *Schwegman* and *Winstead* had not been "transformative" it still could demonstrate the existence of a fair use market.

---

<sup>209</sup> Memorandum Opinion & Order at 22, *Winstead*, *supra* note 6.