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1-1-2013

### The Case of the Missing Case: Stewart v. Abend and Fair Use Law

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#### Recommended Citation

53 IDEA 323 (2013)

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## *Fair Use: The Case of the Missing Case*

Stephen McJohn\*

Draft January 4, 2012

Three Supreme Court cases dominate fair use. *Sony* held that it was fair use for consumers to use Betamax video cassette recorders to timeshift television programs.<sup>1</sup> *Harper and Row* held that it was not fair use for The Nation to quote several hundred key words from the autobiography of former President Gerald Ford.<sup>2</sup> *Campbell* held that it could be fair use for 2

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\* Professor of Law, Suffolk University School of Law. The idea for this piece springs from a brief story in Lorie Graham & Stephen McJohn, *Thirty-Two Short Stories about Intellectual Property*, 3 HASTINGS SCI. & TECH. L.J. 1 (2011) .

<sup>1</sup> Sony Corporation of America v. University City Studios, 464 U.S. 417, 421 (1984). On fair use generally, see 2 Paul Goldstein, Copyright ch. 10 (3d ed. Supp. 2011); Benjamin Kaplan, An Unhurried View of Copyright 67-70 (1967); William F. Patry, The Fair Use Privilege in Copyright Law (1985); Jay Dratler, Distilling the Witches' Brew of Fair Use in Copyright Law, 43 U. Miami L. Rev. 233 (1988); William W. Fisher III, Reconstructing the Fair Use Doctrine, 101 Harv. L. Rev. 1661 (1988).

<sup>2</sup> Harper & Row, Publishers v. Nation Enterprises, 471 U.S. 539, 542 (1985).

Live Crew to make a rap parody version of Roy Orbison's *Oh, Pretty Woman*.<sup>3</sup> Those cases are likely to appear whenever fair use is an issue.

One case has gone mysteriously missing. In *Stewart v. Abend*,<sup>4</sup> the Supreme Court held that it was not fair use for the producers of Alfred Hitchcock's film *Rear Window* to continue showing the film. Their rights were terminated in the underlying story, *It Had To Be Murder*, due to an unanticipated shift in copyright case law. *Stewart* was decided between *Sony* and *Harper & Row*. *Stewart* remains well known in copyright law for its lengthy discussion of a complex issue of copyright renewal, but *Stewart*'s short, sharp fair use discussion has gone by the wayside. Appellate opinions and law review articles devote pages of analysis to the other three cases, but rarely even a glancing reference to *Stewart*.<sup>5</sup> *Stewart*'s fair use analysis does not appear in leading copyright casebooks<sup>6</sup> or supplemental texts on intellectual property for law students.<sup>7</sup> *Sony*, *Harper & Row*, and *Campbell* appear together every time, like three musketeers. The case of Hitchcock's film does not even make a cameo. This article suggests a more prominent role for the case in fair use jurisprudence. *Stewart*'s fair use analysis is brief. But because the case is quite different factually from the other three, it offers valuable precedent on the application of fair use to transactions, the definition of relevant markets, and the very meaning of "fair."

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<sup>3</sup> *Campbell v. Acuff-Rose Music*, 510 U.S. 569 (1994).

<sup>4</sup> 495 U.S. 207, 238 (1990).

<sup>5</sup> This is reflected by two comprehensive studies of fair use case law: Pamela Samuelson, *Unbundling Fair Uses*, 77 *Fordham L. Rev.* 2537 (2009) and Barton Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions, 1978–2005*, 156 *U. Pa. L. Rev.* 549 (2008), both of which show great influence on the case law from *Sony*, *Harper & Row*, and *Campbell* and little from *Stewart*.

<sup>6</sup> See JULIE E. COHEN ET AL., *COPYRIGHT IN A GLOBAL INFORMATION ECONOMY*, 525 - 602 (Aspen Publishers, 2d ed. 2006); ROBERT A. GORMAN & JANE C. GINSBURG, *COPYRIGHT* 715-847 (Foundation Press, 7th ed. 2006).

<sup>7</sup> See STEPHEN MCJOHN, *COPYRIGHT: EXAMPLES AND EXPLANATIONS* 293-316 (Aspen Publishers, 2d ed. 2009); MARY LAFRANCE, *COPYRIGHT LAW IN A NUTSHELL* 293-304 (2008). See also Symposium on Fair Use, *Journal, Copyright Society of the U.S.A.* 57, no.3 (Spring 2010)(with apparently no discussion of *Stewart*).

## I The Fair Use Story

The fair use doctrine traces back to *Folsom v. Marsh*.<sup>8</sup> The question was whether the use of letters in a biography was copyright infringement or a “justifiable” use. The court, per Justice Story, held that the court should “look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.”<sup>9</sup> The fair use doctrine was thus a judicially created rule. It was applied in many cases, and eventually enacted into the Copyright Statute, along with the broad revision of copyright law in 1976. Section 107 largely tracks Justice Story’s formulation. In its present version, the provision reads:

### § 107. Limitations on exclusive rights: Fair use

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (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

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<sup>8</sup> 9 F. Cas. 342 (No. 4,901) (CC Mass. 1841). See also Matthew Sag, The Prehistory of Fair Use, 76 Brooklyn L. Rev. 1371 (2011).

<sup>9</sup> Id. at 348-349.

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

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

Under Section 107, fair use is characterized as a limitation on the exclusive rights granted under sections 106 and 106A. Section 106 provides the core set of rights of the copyright holder, and specifically provides that they are subject to fair use.

#### **§ 106 • Exclusive rights in copyrighted works**

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

In short, under Section 106, the copyright owner has the right to make copies, adapt the work, distribute copies to the public, and perform or display the work publicly – all subject to fair use. Section 106A, although much lengthier than Section 106, provides a much narrower set of rights. Under Section 106A, the author of a work of visual art has certain “Rights of Attribution and Integrity.”<sup>10</sup> Those rights are likewise expressly made “Subject to section 107,” and so subject to fair use.<sup>11</sup>

Fair use, as formulated by Section 107, is hardly a bright line rule.<sup>12</sup> Rather, the statute lists a nonexclusive set number of favored categories of use (“criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research”), and then sets out four factors for the court to consider: the purpose of the use, the nature of the work, the amount used, and the effect on the market for the copyrighted work.<sup>13</sup> The statute does not provide a rule to apply, rather simply states that the court shall consider those factors in deciding whether a particular use is a fair use.<sup>14</sup> As a result, fair use is universally acknowledged as unpredictable and fact-bound. In assessing whether copyright gives notice of what constitutes infringement, a recent commentator collected evaluations of fair use as “notoriously opaque,” “resistant to generalization,” “unpredictable, if not uncomprehensible” and “subjective.”<sup>15</sup> An

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<sup>10</sup> See 17 U.S.C. 106A.

<sup>11</sup> Id.

<sup>12</sup> See also Fred H. Cate, *The Technological Transformation of Copyright Law*, 81 Iowa L. Rev. 1395, 1457 (1996) (describing fair use as an “already murky provision”); Fisher, *supra* note 1, at 692-94 (criticizing fair use as vague, ambiguous, and fragmented); Lloyd L. Weinreb, *Fair’s Fair: A Comment on the Fair Use Doctrine*, 103 Harv. L. Rev. 1137, 1137 (1990) (stating that fair use has baffled judges, lawyers, scholars, journalists, critics, historians, and publishers); William F. Patry & Shira Perlmutter, *Fair Use Misconstrued: Profit, Presumptions, and Parody*, 11 Cardozo Arts & Ent. L.J. 667, 667-68 (1992) (collecting descriptions of fair use that describe it as “intricate and embarrassing,” “troublesome,” and full of “thorniness”).

<sup>13</sup> See 17 U.S.C. 107.

<sup>14</sup> See 17 U.S.C. 107.

<sup>15</sup> Bradley Abruzzi, *Copyright and the Vagueness Doctrine*, 45 U. MICH. J.L. REFORM, \_\_ (forthcoming 2011/2012), quoting Jed Rubenfeld, *The Freedom of Imagination: Copyright’s Constitutionality*, 112 YALE L.J. 1, 16-17 (2002); and “Lloyd L. Weinreb, *Fair’s Fair: A Comment on the Fair Use Doctrine*, 103 HARV. L. REV. 1137, 1138 (1990) (“resistant to generalization”); Naomi Abe Voetgli, *Rethinking Derivative Rights*, 63 BROOK. L. REV. 1213, 1266 (1997) (“unpredictable, if not uncomprehensible”); Jessica Litman, *The*

argument can be made that fair use, along with the noncopyrightability of ideas, are so uncertain guides to the boundaries of copyright that imposing copyright infringement might offend due process, under the vagueness doctrine.<sup>16</sup> Many attempts have been made to locate unifying principles to make fair use more coherent.<sup>17</sup> Numerous proposals to make sense of fair use have been made.<sup>18</sup>

Since 1977, a series of Supreme Court cases have addressed the interpretation of the statutory fair use provision. Looking at those cases in some detail is necessary to assess whether *Stewart* could play a greater role in fair use. *Sony v. Universal Studios*<sup>19</sup> involved the use of video tape recorders to record television programs for future viewing, a practice the Court called “time-shifting.” The plaintiffs held copyrights on television programs that were broadcast on

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*Public Domain*, 39 EMORY L.J. 965, 1005 (1990) (“subjective”).” On the pernicious effects of this unpredictability, see James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882 (2007); Kenneth D. Crews, *The Law of Fair Use and the Illusion of Fair-Use Guidelines*, 62 OHIO ST. L.J. 599, 607 (2001).

<sup>16</sup> See generally, Abruzzi, note \_\_, *supra*; *Aharonian v. Gonzales*, Civ. No. 04-5190 MHP (N.D. Cal. Jan. 3, 2006)(rejecting a due process challenge to the copyright statute, as applied to computer source code).

<sup>17</sup> See, e.g., Samuelson, *supra* note 5, at 2541 (classifying fair use cases according to common patterns, or “policy-relevant clusters”); Michael J. Madison, *A Pattern-Oriented Approach to Fair Use*, 45 WM. & MARY L. REV. 1525 (2004); 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 (1982)(suggesting that fair use is a response to transactions costs, allowing beneficial uses to occur that would otherwise be blocked by the inability of parties to transfer rights by agreement, because of transaction costs or other market obstacles); Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1132 (1990)(suggesting that fair use will give particular weight to transformative uses); William T. Fisher, *Reconstructing the Fair Use Doctrine*, 101 HARV. L. REV. 1659 (1988); Paul Goldstein, Fair Use in Context, 31 COLUM. J.L. & ARTS 433 (2008).

<sup>18</sup> See Samuelson, *supra* note 5, at 2540-41 (“Some commentators have proposed to “fix” fair use by establishing a low-cost administrative tribunal so that putative fair users could explain uses they wished to make of another author’s work and get feedback from the tribunal about whether the use is fair. Another has suggested that the U.S. Copyright Office be given more rule-making authority to develop fair use guidelines or create new exceptions. Still others have recommended bright-line, quantitative safe harbors for common kinds of appropriations (e.g., so many seconds of a song, so many words from a text). A fourth approach has been to articulate “best practices” guidelines for groups of creators who typically reuse parts of previous works in developing new ones (e.g., documentary filmmakers). Many commentators have also urged that courts take into account some factors not set forth in § 107, the fair use provision of the Copyright Act of 1976 (1976 Act),<sup>17</sup> including the likelihood of market failure, the plaintiff’s rationale for insisting that the use must be licensed, chilling effects on free speech, chilling effects on innovation, the impact of network effects, whether the defendant’s use was reasonable and customary in her field of endeavor, how “old” the work is, distributive values, and even the fairness of the use.”)

<sup>19</sup> 464 U.S. 417 (1984).

public airwaves.<sup>20</sup> The plaintiffs sued the defendant VTR manufacturers not for copyright infringement (because the manufacturers themselves were not making or selling copies of the copyrighted television programs) but rather for contributory copyright infringement, on the theory that the manufacturers were selling a device whose purpose was to make copies of copyrighted works. The manufacturers would not be liable for contributory infringement, by analogy to patent law doctrine, provided that the device was capable of substantial non-infringing uses. Therefore, the question became whether a videotape recorder had substantial non-infringing uses, such as uses that were protected by fair use. Specifically, the question was whether time shifting was a fair use of the copyrighted programs

*Sony* began from fundamental law, citing the constitutional provision that authorizes Congress to enact copyright legislation:

“The Congress shall have 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.”<sup>21</sup>

The Court emphasized the instrumental nature of copyright protection: “The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.”<sup>22</sup>

The Court further set out the “difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and

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<sup>20</sup> *Sony*, 464 U.S. at 421.

<sup>21</sup> *Sony*, 464 U.S. at 428, quoting Article I, § 8, of the United States Constitution.

<sup>22</sup> *Sony*, 464 U.S. at 429 .



society's competing interest in the free flow of ideas, information, and commerce on the other hand.”<sup>23</sup> The Court noted how copyright arose as a response to new technology (the printing press) and has continued to develop in response to changes in technology.<sup>24</sup>

Turning to the application of fair use in the case, the *Sony* court quoted a provision from the legislative history of Section 107 that emphasizes the fact-specific nature of the doctrine:

"The statement of the fair use doctrine in section 107 offers some guidance to users in determining when the principles of the doctrine apply. However, the endless variety of situations and combinations of circumstances that can rise in particular cases precludes the formulation of exact rules in the statute. The bill endorses the purpose and general scope of the judicial doctrine of fair use, but there is no disposition to freeze the doctrine in the statute, especially during a period of rapid technological change. 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."<sup>25</sup>

The Court also noted that because fair use was an equitable rule of reason, “no generally applicable definition is possible, and each case raising the question must be decided on its own

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<sup>23</sup> *Sony*, 464 U.S. at 429 .

<sup>24</sup> *Sony*, 464 U.S. at 430-31. The Court listed a number of significant technological changes in the copying and distribution of works: “Thus, for example, the development and marketing of player pianos and perforated rolls of music, see *White-Smith Music Publishing Co. v. Apollo Co.*, 209 U.S. 1 (1908), preceded the enactment of the Copyright Act of 1909; innovations in copying techniques gave rise to the statutory exemption for library copying embodied in § 108 of the 1976 revision of the copyright law; the development of the technology that made it possible to retransmit television programs by cable or by microwave systems, see *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968), and *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394 (1974), prompted the enactment of the complex provisions set forth in 17 U. S. C. § 111(d)(2)(B) and § 111(d)(5) (1982 ed.) after years of detailed congressional study, see *Eastern Microwave, Inc. v. Doubleday Sports, Inc.*, 691 F.2d 125, 129 (CA2 1982).” *Id.*, at fn. 11. See also Julie E. Cohen & Dan L. Burk, *Fair Use Infrastructure for Rights Management Systems*, 15 Harv. J.L. & Tech. 41-83 (2001).

<sup>25</sup> *Sony*, 464 U.S. at 448 f.n. 30, quoting H. R. Rep. No. 94-1476, 65-66 (1976).

facts,” according to the legislative history.<sup>26</sup> The Court further noted that the legislative history provided that the enactment of section 107 was not intended to narrow or enlarge the judicially created doctrine of fair use.<sup>27</sup>

The *Sony* court applied all four factors in some detail. First it examined the character of the use. Although the manufacturers sold the video tape recorders as part of their commercial activity, the relevant use for purposes of assessing fair use was the use by consumers. The Court characterized this as “time shifting for private home use,” which it “characterized as a noncommercial, nonprofit activity.” Even though the use was a consumptive use, warn that otherwise might have required a market transaction such as renting a video, the use by a consumer was a private, non-commercial use.<sup>28</sup> In addition the court considered that time shifting allowed a viewer to watch a program which had been publicly broadcast and so the viewer could have watched in its entirety without infringing copyright. The court rejected the proposition that fair use must involve a productive use as opposed to the consumptive use at issue in the case.<sup>29</sup> The television programs were, at least in part, creative and therefore highly protected works. The relevant copying was of the entire work, but this factor was mitigated by the fact that the works had been broadcast for public consumption. Lastly the court considered the effect on the market for the copyrighted work. There had been no concrete showing that the practice of time shifting had a negative effect on the market for the relevant works. Without a showing of harm, fair use was likely.<sup>30</sup> The copyright holders offered possible harms, such as

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<sup>26</sup> Id.

<sup>27</sup> *Sony*, 464 U.S. at 447 f.n. 29, quoting H. R. Rep. No. 94-1476, 65-66 (1976).

<sup>28</sup> *Sony*, 464 U.S. at 450, f.n. 33.

<sup>29</sup> *Sony*, 464 U.S. at 455, f.n. 40.

<sup>30</sup> In reaching this conclusion, the Court relied on an epic study of early fair use case, which Congress had commissioned in connection with the revision of the Copyright Statute. See *Sony*, 464 U.S. at 451, f.n. 34. “Cf. A. Latman, Fair Use of Copyrighted Works (1958), reprinted in Study No. 14 for the Senate Committee on the Judiciary, Copyright Law Revision, Studies Prepared for the Subcommittee on Patents, Trademarks, and Copyrights, 86th Cong., 2d Sess., 30 (1960):

lower ratings and loss of theater or rental income, but made no evidentiary support for those propositions. In contrast to the lack of demonstrated harm, the court noted that there were plausible societal benefits from timeshifting, because of the public interest in making publicly broadcast programs widely available. The Court concluded, “respondents failed to demonstrate that time-shifting would cause any likelihood of nonminimal harm to the potential market for, or the value of, their copyrighted works.”<sup>31</sup> Accordingly, time shifting was held to be fair use.

The Court next considered fair use in *Harper & Row*.<sup>32</sup> The issue was whether fair use protected the Nation magazine, which had managed to get hold of prepublication copy of former President Gerald Ford’s autobiography, and had published key passages. After leaving office, Ford entered into a contract with publishers Harper & Row, agreeing to publish his memoirs which he further agreed would contain “significant hitherto unpublished material.”<sup>33</sup> The contract gave the publisher the right to publish the book and also the exclusive right to license prepublication excerpts.<sup>34</sup> Harper & Row entered into such an agreement with Time magazine, agreeing to allow Time to publish portions from the book for an agreed payment. Although Harper & Row took measures to keep the manuscript confidential, the Nation magazine was able to obtain a copy.<sup>35</sup> Acting quickly, the Nation selected some brief choice excerpts and published them, before the publication either of the excerpts in time or the book itself.<sup>36</sup> The portion published by the Nation contained some 300 copyrighted words.<sup>37</sup> It contained other material as

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"In certain situations, the copyright owner suffers no substantial harm from the use of his work. . . . Here again, is the partial marriage between the doctrine of fair use and the legal maxim *de minimus non curat lex*."

<sup>31</sup> *Sony*, 464 U.S. at 456.

<sup>32</sup> *Harper & Row, Publishers v. Nation Enterprises*, 471 U.S. 539 (1985).

<sup>33</sup> *Harper & Row*, 471 U.S. at 542.

<sup>34</sup> *Harper & Row*, 471 U.S. at 542.

<sup>35</sup> *Harper & Row*, 471 U.S. at 543.

<sup>36</sup> *Harper & Row*, 471 U.S. at 544.

<sup>37</sup> *Harper & Row*, 471 U.S. at 544-45.

well which was not copyrighted, such as quotations from others.<sup>38</sup> Time canceled its contract with the publisher.

Like *Sony*, *Harper & Row* began its discussion with the quotation to the constitutional provision and with reference to the balance implicit between incentives to authors and the ability of others to use their work.<sup>39</sup> The court noted that fair use has been traditionally defined as a privilege.<sup>40</sup> It characterized fair use as enacted in section 107 as a defense to copyright infringement.<sup>41</sup> It then characterized fair use as a species of hypothetical consent by the author: "[The] author's consent to a reasonable use of his copyrighted works [had] always been implied by the courts as a necessary incident of the constitutional policy of promoting the progress of science and the useful arts, since a prohibition of such use would inhibit subsequent writers from attempting to improve upon prior works and thus . . . frustrate the very ends sought to be attained."<sup>42</sup>

The court then looked to the historical role of fair use. Under common law, copyright the author had an absolute right to his work until he published it.<sup>43</sup> This legal rule was tempered by the equitable doctrine of fair use, once the work had been published.<sup>44</sup> Until the work was published, however, fair use was very unlikely to apply. The court recognized a long-standing right of first publication and held that the right survived the enactment of section 107, even though it was not expressly included.<sup>45</sup> The court also rejected the argument that the right of first publication was not relevant in the case like the present one, where the author had indicated

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<sup>38</sup> Harper & Row, 471 U.S. at 545.

<sup>39</sup> Harper & Row, 471 U.S. at 546.

<sup>40</sup> Harper & Row, 471 U.S. at 549.

<sup>41</sup> Harper & Row, 471 U.S. at 549.

<sup>42</sup> Harper & Row, 471 U.S. at 546, quoting H. Ball, *Law of Copyright and Literary Property* 260 (1944)

<sup>43</sup> Harper & Row, 471 U.S. at 550.

<sup>44</sup> Harper & Row, 471 U.S. at 550.

<sup>45</sup> Harper & Row, 471 U.S. at 554-55.

his intent soon to publish the work.<sup>46</sup> To the contrary, the right of first publication protected not only creative control and privacy interests, but also the ability to control the exploitation and commercialization of the work.<sup>47</sup>

The court next rejected the proposition that the First Amendment should require fair use to permit the use in this case.<sup>48</sup> Rather, the court held that allowed for sufficient protection of free speech through protected by copyright.<sup>49</sup> Anyone could copy ideas or facts from a work without infringing copyright.<sup>50</sup> In addition where the work was on the verge of publication, there was little need for the First Amendment to come into play in order for the expression to become public.<sup>51</sup> Indeed, the court reasoned that the restrictions on speech from copyright would result in more speech: “In our haste to disseminate news, it should not be forgotten that the Framers intended copyright itself to be the engine of free expression. By establishing a marketable right to the use of one's expression, copyright supplies the economic incentive to create and disseminate ideas.”<sup>52</sup>

The Court then applied the statutory factors, and held that fair use was not applicable. The purpose of the use was news reporting which is a favorite years but it was also a commercial

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<sup>46</sup> Harper & Row, 471 U.S. at 553-54.

<sup>47</sup> Harper & Row, 471 U.S. at 555. Cf. Megan Carpenter, *Space Age Love Song: The Mix Tape in a Digital Universe* 11 Nevada L. J. 44 (2010)(on tension between users expectations and copyright holders' rights).

<sup>48</sup> Harper & Row, 471 U.S. at 556-57. See also Joseph P. Liu, *Copyright and Breathing Space*, 30 COLUM. J.L. & ARTS 429 (2007).

<sup>49</sup> Harper & Row, 471 U.S. at 556-57.

<sup>50</sup> Years later, the story at issue in *Stear* was allegedly infringed by the makers of the film *Disturbia*, in a case nicely illustrating the principle that copyright does not prohibit copying ideas. See *Sheldon Abend Revocable Trust v. Spielberg*, 748 F. Supp. 2d 200, 208 (S.D.N.Y. 2010)(“It cannot be disputed that both works tell the story of a male protagonist, confined to his home, who spies on neighbors to stave off boredom and, in so doing, discovers that one of his neighbors is a murderer. The voyeur is himself discovered by the suspected murderer, is attacked by the murderer, and is ultimately vindicated. Although it is possible to characterize the plots of both works so they appear indistinguishable, such similarity is not, standing alone, indicative of substantial similarity. The law of copyright only protects an author's particular expression of an idea, not the idea itself.”).

<sup>51</sup> Harper & Row, 471 U.S. at 556-57. See also Alfred C. Yen, *A First Amendment Perspective on the Idea/Expression Dichotomy and Copyright in a Work's Total Concept and Feel*, 38 Emory L.J. 393 (1989).

<sup>52</sup> Harper & Row, 471 U.S. at 558.

use, which makes it much less likely to qualify for fair use.<sup>53</sup> The court also took into consideration that the nation intended to substitute its publication for the copyright holders publication and that the nation obtained the manuscript wrongfully.<sup>54</sup> Turning to the nature of the copyrighted work the court recognized that factual works receive less protection than fictional works, because copyright depends on original creative expression.<sup>55</sup> The court reasoned however that the nation copied expressive elements from the autobiography. The next factor is the amount used by the defendants. The Nation published only a very small portion of Ford's autobiography. However those portions were the most powerful and the portions of the book that were of greatest interest to the public: the "heart of the book."<sup>56</sup> The effect on the market in this case unlike *Sony* was clear to see. Because the nation published portions before publication of Ford's book, Time Magazine canceled its contract to publish prepublication excerpts. The court also reasoned that one should take into effect what would occur if the use in question became widespread. Under this broad view of market harm, the fourth factor weighed decisively against fair use.<sup>57</sup>

The next Supreme Court case to apply fair use was *Stewart v. Abend*.<sup>58</sup> In 1945, Cornell Woolrich sold the movie rights to his short story, "It Had To Be Murder."<sup>59</sup> Woolrich agreed to assign the movie rights to the production company (who later sold the rights to a production company formed by director Alfred Hitchcock and actor Jimmy Stewart).<sup>60</sup> Woolrich also agreed to renew the copyright as its original 28 year term expired, and assign the second 28 year term to the production company. Hitchcock and Stewart used the story as the basis for the film,

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<sup>53</sup> Harper & Row, 471 U.S. at 561-62.

<sup>54</sup> Harper & Row, 471 U.S. at 563-64.

<sup>55</sup> Harper & Row, 471 U.S. at 562-63.

<sup>56</sup> Harper & Row, 471 U.S. at 564-65.

<sup>57</sup> Harper & Row, 471 U.S. at 568.

<sup>58</sup> 495 U.S. 207 (1990).

<sup>59</sup> *Stewart*, 495 U.S. at 212.

<sup>60</sup> *Id.*

*Rear Window*.<sup>61</sup> Woolrich died in 1968, before the renewal term of the copyright. The renewal term was subsequently assigned by his estate. The estate then sued Stewart et al for continuing to show *Rear Window*. Subsequently, the Second Circuit held in another case, *Rohauer*,<sup>62</sup> that parties in Hitchcock's position could continue to use derivative works, even if the underlying assignment had lapsed.<sup>63</sup> *Stewart*, however, rejected the *Rohauer* reasoning, and held that where the author's death caused the promised assignment of the renewal term to fail, then the assignee did not keep any rights, including the right to utilize derivative works prepared under the grant.<sup>64</sup>

The Court rejected an analogy to a right granted under the 1976 Act, with respect to terminations. The 1976 Act added 19 years to the term of existing copyrights, meaning that existing copyrights would have a term of 28 years (original term) plus 28 years (renewal term) plus 19 years (additional years added in 1976). Congress also decided that, where the copyright had been assigned (in whole or in part), the extra years would go to the author, not to the assignee, provided that the author claimed the extra years, by exercising a new right of termination, and thereby getting the rights back.<sup>65</sup> In such a situation, however, an assignee that had made a movie could continue to show the movie. The statute provided a limitation on the termination right: "'A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.'"<sup>66</sup> The Court declined to read such a limitation into the situation where an agreement to assign the renewal term had failed, where

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<sup>61</sup> Id.

<sup>62</sup> *Rohauer v. Killiam Shows, Inc.*, 551 F. 2d 484 (2<sup>nd</sup> Cir. 1977).

<sup>63</sup> *Stewart*, 495 U.S. at 213.

<sup>64</sup> *Stewart*, 495 U.S. at 226-27.

<sup>65</sup> See 17 U.S.C. § 304(c).

<sup>66</sup> 17 U.S.C. § 304(c)(6)(A).

Congress had not provided such a specific limitation in the statute (although the rule making the agreement to assign was itself not expressly in the statute, rather a creature of judicial interpretation).

The Court then next addressed the issue, whether fair use would allow the producers to continue showing the film. *Stewart's* fair use analysis is concise enough to quote in its entirety:

Petitioners assert that even if their use of "It Had to Be Murder" is unauthorized, it is a fair use and, therefore, not infringing. At common law, "the property of the author . . . in his intellectual creation [was] absolute until he voluntarily part[ed] with the same."

*American Tobacco Co. v. Werckmeister*, 207 U.S. 284, 299 (1907). The fair use doctrine, which is incorporated into the 1976 Act, evolved in response to this absolute rule. See *Harper & Row*, 471 U.S., at 549-551. The doctrine is an "'equitable rule of reason,'" *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S., at 448, which "permits courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster." *Iowa State University Research Foundation, Inc. v. American Broadcasting Cos.*, 621 F. 2d 57, 60 (CA2 1980).

Petitioners contend that the fair use doctrine should be employed in this case to "avoid [a] rigid applicatio[n] of the Copyright Act." Brief for Petitioners 42.

In 17 U.S.C. § 107 (1988 ed.), Congress provided examples of fair use, e.g., copying "for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research," and listed four non-exclusive factors that a court must consider in determining whether an unauthorized use is not infringing:

"(1) the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit 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."

The Court of Appeals determined that the use of Woolrich's story in petitioners' motion picture was not fair use. We agree. The motion picture neither falls into any of the categories enumerated in § 107 nor meets the four criteria set forth in § 107. "[E]very [unauthorized] commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright." *Sony Corp. of America v. Universal Studios, Inc.*, *supra*, at 451. Petitioners received \$ 12 million from the re-release of the motion picture during the renewal term. 863 F. 2d, at 1468. Petitioners asserted before the Court of Appeals that their use was educational rather than commercial. The Court of Appeals found nothing in the record to support this assertion, nor do we.

Applying the second factor, the Court of Appeals pointed out that "[a] use is less likely to be deemed fair when the copyrighted work is a creative product." 863 F. 2d, at 1481 (citing *Brewer v. Hustler Magazine, Inc.*, 749 F. 2d 527, 529 (CA9 1984)). In general, fair use is more likely to be found in factual works than in fictional works. See 3 Nimmer § 13.05[A], pp. 13-77 to 13-78 ("[A]pplication of the fair use defense [is] greater . . . in the case of factual works than in the case of works of fiction or fantasy"); cf. *Harper & Row*, *supra*, at 563 ("The law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy"). A motion picture based on a fictional short story obviously falls into the latter category.

Examining the third factor, the Court of Appeals determined that the story was a substantial portion of the motion picture. See *id.*, at 564-565 (finding unfair use where quotation from book "took what was essentially the heart of the book"). The motion picture expressly uses the story's unique setting, characters, plot, and sequence of events. Petitioners argue that the story constituted only 20% of the motion picture's story line, Brief for Petitioners 40, n. 69, but that does not mean that a substantial portion of the story was not used in the motion picture. "[A] taking may not be excused merely because it is insubstantial with respect to the infringing work." *Harper & Row, supra*, at 565.

The fourth factor is the "most important, and indeed, central fair use factor." 3 *Nimmer* § 13.05[A], p. 13-81. The record supports the Court of Appeals' conclusion that re-release of the film impinged on the ability to market new versions of the story. Common sense would yield the same conclusion. Thus, all four factors point to unfair use. "This case presents a classic example of an unfair use: a commercial use of a fictional story that adversely affects the story owner's adaptation rights." 863 F. 2d, at 1482. <sup>67</sup>

The Court next applied fair use in *Campbell*. <sup>68</sup> 2 Live Crew, a popular rap music group, wrote and recorded a parody version of the copyrighted song, "Pretty Woman." 2 Live Crew offered to pay licensing fees to the copyright holder, but were rebuffed: "'I am aware of the success enjoyed by 'The 2 Live Crews', but I must inform you that we cannot permit the use of a parody of 'Oh, Pretty Woman.''" <sup>69</sup> The work was nevertheless sold to the public (with attribution to the original author and the copyright holder). The copyright holders sued for infringement.

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<sup>67</sup> *Stewart*, 495 U.S. at 236-38.

<sup>68</sup> *Campbell v. Acuff-Rose Music*, 510 U.S. 569 (1994). See Anastasia P. Winslow, Rapping on a Revolving Door: An Economic Analysis of Parody and *Campbell v. Acuff-Rose Music, Inc.*, 69 S. Cal. L. Rev. 767 (1996); Alfred C. Yen, When Authors Won't Sell: Parody, Fair Use, and Efficiency in Copyright Law, 62 U. Colo. L. Rev. 79 (1991); A. Hunter Farrell, Note, Fair Use of Copyrighted Material in Advertisement Parodies, 92 Colum. L. Rev. 1550 (1992); Richard A. Posner, When is Parody Fair Use?, 21 J. Legal Stud. 67 (1992).

<sup>69</sup> *Campbell*, 510 U.S. at 572-73.

The Court began its fair use analysis by emphasizing that no work is entirely original: ““in truth, in literature, in science and in art, there are, and can be, few, if any, things, which in an abstract sense, are strictly new and original throughout. Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before.”<sup>70</sup> The Court traced fair use back to “fair abridgement” under the very first English copyright statute, through *Folsom*, and to the 1976 statutory enactment of fair use.<sup>71</sup> *Campbell* then quoted *Stewart* for the key safety valve role that fair use plays: “The fair use doctrine thus “permits [and requires] courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.” *Stewart v. Abend*, 495 U.S. 207, 236 (1990).”<sup>72</sup> The Court emphasized that “The task is not to be simplified with bright-line rules, for the statute, like the doctrine it recognizes, calls for case-by-case analysis.”<sup>73</sup>

The key discussion in *Campbell* went to the first factor, the nature of the use:

“The enquiry here may be guided by the examples given in the preamble to § 107, looking to whether the use is for criticism, or comment, or news reporting, and the like, see § 107. The central purpose of this investigation is to see, in Justice Story's words, whether the new work merely “supersede[s] the objects” of the original creation, *Folsom v. Marsh*, *supra*, at 348; accord, *Harper & Row*, *supra*, at 562 (“supplanting” the original), or instead adds something new, with a further purpose or different character,

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<sup>70</sup> *Campbell*, 510 U.S. at 575, quoting *Emerson v. Davies*, 8 F. Cas. 615, 619 (No. 4,436) (CCD Mass. 1845)(Justice Story).

<sup>71</sup> *Campbell*, 510 U.S. at 575-77.

<sup>72</sup> *Campbell*, 510 U.S. at 577.

<sup>73</sup> *Campbell*, 510 U.S. at 577 (citing *Harper & Row*, *Sony*, and the legislative history).

altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is "transformative." 74

Parody, the Court held, was a favored use, which provided a "social benefit, by shedding light on an earlier work, and, in the process, creating a new one." 75 The Court then looked closely at the nature of parody, and the work in the present case, reasoning that parody is a work that comments on another in a humorous way (and so falls within the favored category of comment and criticism). 76 A parody must borrow from another work in order to comment on that work, as opposed to a work that borrows from another work simply to have raw material to work with, as might a satire. 77 The Court showed how the particular parody in this case indeed commented on the underlying work, "as a comment on the naivete of the original of an earlier day, as a rejection of its sentiment that ignores the ugliness of street life and the debasement that it signifies. " 78 The Court then examined earlier cases, in holding that the commercial nature of the use did not mean that it could not qualify for fair use.

In assessing the second factor, *Campbell* quoted *Stewart* a second time: "The second statutory factor, "the nature of the copy-righted work," § 107(2), draws on Justice Story's expression, the "value of the materials used." *Folsom v. Marsh*, 9 F. Cas., at 348. This factor calls for recognition that some works are closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish when the former works are copied. See, e. g., *Stewart v. Abend*, 495 U. S., at 237-238 (contrasting fictional short story with factual works)." *Campbell* held that under the second element, "Pretty Woman" qualified

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<sup>74</sup> *Campbell*, 510 U.S. at 578-79. See Laura A. Heymann, Everything Is Transformative: Fair Use and Reader Response, 31 Colum. J.L. & Arts 445 (2008).

<sup>75</sup> *Campbell*, 510 U.S. at 579.

<sup>76</sup> *Campbell*, 510 U.S. at 580-81.

<sup>77</sup> *Campbell*, 510 U.S. at 580-81.

<sup>78</sup> *Campbell*, 510 U.S. at 583.

as a highly protected expressive work, but also that parody would generally involve such works, so the factor had relatively little weight in the case.<sup>79</sup>

The third factor, “the amount and substantiality of the portion used in relation to the copyrighted work as a whole,”<sup>80</sup> received special interpretation in the context of parody. The Court focused on whether the parody copied an amount which was appropriate to the purpose of commenting on the underlying work, or whether it copied more than necessary and so might tend to show that the parody was a market substitute for the underlying work.<sup>81</sup> Whether the amount taken was excessive was to be evaluated “in light of the song’s parodic purpose and character, its transformative elements, and considerations of the potential for market substitution.”<sup>82</sup>

In assessing the fourth factor, market harm, the Court again focused on the nature of parody, and the relationship of the use to the parodic purpose. Damage to the value of the work that arose from the critical element would not be cognizable, just as a book review would not forfeit fair use even if it killed sales of the book.<sup>83</sup> There was no market harm by the creation of a parody, the Court reasoned, because authors would generally not license critical parodies.<sup>84</sup> However, the Court found the record insufficient to assess whether 2 Live Crew’s version impinged on a market that the rights holder would utilize: neither party “introduced evidence or affidavits addressing the likely effect of 2 Live Crew’s parodic rap song on the market for a nonparody, rap version of “Oh, Pretty Woman.”<sup>85</sup> So the Court remanded the case for further fact-finding on the issues it had identified.

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<sup>79</sup> Campbell, 510 U.S. at 579.

<sup>80</sup> Campbell, 510 U.S. at 586, quoting 17 U.S.C. 107(3)(comparing to the *Folsom* formulation, “the quantity and value of the materials used).

<sup>81</sup> Campbell, 510 U.S. at 586-87.

<sup>82</sup> Campbell, 510 U.S. at 592.

<sup>83</sup> Campbell, 510 U.S. at 592-93.

<sup>84</sup> Campbell, 510 U.S. at 589.

<sup>85</sup> Campbell, 510 U.S. at 593.

## II *Stewart's Role in Fair Use*

Fair use is a notoriously difficult doctrine to apply. Three Supreme Court cases comprise a small set of authoritative precedent. In such a fact-bound area, one more Supreme Court case on point, with quite different facts, would enrich the law.

*Stewart* has not disappeared without a trace. The case was cited by the Court itself, in *Campbell* and subsequently in *Eldred v. Ashcroft*, both times for general propositions about the important role that fair use plays in balancing the restrictions that copyright imposes on speech against the incentives that copyright creates for authors. *Stewart* is cited in cases on fair use and in law review articles on fair use. But those citations, too, simply cite *Stewart* for generalities about fair use, statements that could be backed up by citing any other fair use case. *Sony*, *Harper & Row*, and *Campbell*, by contrast, have commanded close attention from courts and commentators. The particular facts of each case, and so the implications for the application of fair use, have been exhaustively analyzed and applied. Each case has been used in many ways, to stand for principles drawn from the key facts of the case. For example, *Sony* shows that copying of an entire work may be fair use, that private uses are more likely to be fair use than commercial uses, and that concrete harm must be shown to negate fair use in many cases. *Harper & Row*, by contrast, shows that even a tiny amount of copying may exceed fair use, where the “heart” of the work is taken, that a commercial use may outweigh the favored aspect of use (such as news reporting), and that loss of a contract can show the requisite market harm for fair use. *Campbell* stands most famously for the proposition that “transformative” uses are likely to qualify for fair use (although it must be said that courts tie themselves in knots trying to figure out what constitutes a “transformative” use), that such a transformative use may outweigh even a strong commercial element, and that, in deciding whether there has been market harm, courts must

differentiate between markets that the copyright owner would or would not actually be likely to exploit. These and other key guides to fair use appear in many cases and commentaries.

*Stewart*, by contrast, receives little in-depth analysis and has rarely been applied as a factual precedent, with the basic tools of distinguishing or applying its holding as supported by its key facts. In the few instances where *Stewart* is cited, the case supplies support for only general propositions. For example, the Eleventh Circuit cited *Stewart* for the time-worn proposition: “Fair use doctrine is an “equitable rule of reason”; neither the examples of possible fair uses nor the four statutory factors are to be considered exclusive.”<sup>86</sup> Indeed, perhaps the most common citation to *Stewart* is actually a citation to *Campbell* quoting *Stewart* for a generic statement on fair use. To give one of many examples from law review articles: “As the Court has explained, “The fair use doctrine ... “permits [and requires] courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.”, supported by a footnote reading: “*Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994) (alteration in original) (quoting *Stewart v. Abend*, 495 U.S. 207, 236 (1990))”.”<sup>87</sup>

So *Stewart* has disappeared, like a character in *Rear Window*. As to the reason, there are several suspects. The most obvious is the relatively short fair use discussion in *Stewart*, which is only a fraction of *Stewart*’s discussion of the renewal issues, and likewise only a fraction of the fair use discussions in *Sony*, *Harper & Row*, and *Campbell*. As one casebook puts it, in giving a rare nod to *Stewart*: “Nor was the Court’s third encounter with fair use – *Stewart v. Abend*, 495

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<sup>86</sup> *Peter Letterese & Assocs. v. World Inst. of Scientology Enters.*, 533 F.3d 1287, 1308 (11th Cir. 2008). The court also relied on *Stewart* with respect to the other issue discussed in *Stewart*, the interplay between the renewal term and grants of copyright licenses, and in that discussion drew more closely on relevant similarities in the two cases. See 533 F. 2d at 1309. This shows how *Stewart*’s role in copyright law has been principally in the area of renewal rights, not fair use—even where *Stewart* is highly relevant to the fair use analysis.

<sup>87</sup> Edward Lee, *Technological Fair Use*, 83 S. Cal. L. Rev. 797, 817 (2010).

U.S. 207 (1990)(discussed in Chapter 5 with respect to ownership rights in derivative works) – exactly a meat-and-potatoes fair use case, either.”<sup>88</sup>

Another possible reason is that the fair use discussion comes after a stultifying discussion of a complex interpretation of the copyright statute’s renewal term provisions. Maybe the audience does not stick around for the fair use part of the opinion. To really understand the fair use discussion, one must put it into context of the overall discussion of whether the producers of the film retained the right to perform the derivative work in public. That issue depends on interpreting the duration provisions of the 1909 copyright statute, provisions that were dropped by Congress some 35 years ago, and interpreting those statutory provisions in light of some murky case law. In short, the principal issue in *Stewart* is a complex copyright law issue that has relevance only for works that were created before 1977, and only for a small subset of those works. The natural tendency of the reader is to turn to more interesting material. *Sony*, *Harper & Row*, and *Campbell* deal with much more accessible material: whether it was fair use to time-shift TV programs, to quote excerpts from a former President’s autobiography, and to make a rap parody version of the song “Oh, Pretty Woman.”

The issue in *Stewart*, by contrast, requires a certain amount of elucidation. In 1945, the author, Cornell Woolrich, agreed to grant movie rights in a short story to a production company.<sup>89</sup> He further agreed “to renew the copyrights in the stories at the appropriate time and to assign the same motion picture rights to De Sylva Productions for the 28-year renewal term.”

<sup>90</sup> Those facts implicate the rather complicated structure of the copyright term before the 1976 amendments. Under the 1909 Act, a copyright had an initial term of 28 years, and could be renewed for an additional 56 years. However, Woolrich died before the beginning of the

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<sup>88</sup> Craig Joyce, Marshall Leaffer, Peter Jaszi & Tyler Ochoa, Copyright Law 803 (8th ed. 2010).

<sup>89</sup> *Stewart*, 495 U.S. at 212.

<sup>90</sup> *Stewart*, 495 U.S. at 212.



renewal term. Under a rather complex series of cases, the existing law was that author's agreement to assign the renewal term was not effective, and so the copyright during the renewal term reverted to the author's heirs.<sup>91</sup> This interpretation was not simply a formalistic application of the provisions. Rather, it did serve some underlying policies-to give copyright owners a second opportunity to decide how the work should be exploited, because an author, especially at the beginning of the author's career, may be at a disadvantage when negotiating an agreement with a publisher. Nevertheless, the rule is a tricky one to remember: in effect, an assignment of copyright is effective through the renewal term as well, but only if the author lives until the beginning of the renewal term. The author's estate accordingly registered the copyright.<sup>92</sup> When Hitchcock and Stewart allowed the film to be shown on television, the estate sued.<sup>93</sup> The parties settled the dispute. After that, however, the Second Circuit decided a case directly on point, *Rohauer v. Killiam Shows, Inc.*<sup>94</sup> *Rohauer* held, as *Stewart* put it: "the owner of the copyright in a derivative work may continue to use the existing derivative work according to the original grant from the author of the pre-existing work even if the grant of rights in the pre-existing work lapsed."<sup>95</sup> Under *Rohauer*, the producers would be entitled to continue showing *Rear Window*. They rereleased the movie in theater and on videocassette, and the estate sued again, this time all the way up to the Supreme Court in *Stewart*.

*Stewart* rejected the approach of *Rohauer*, which had attempted a balancing of equities. The Second Circuit reasoned that the fair result was for the copyright to return to the author's heirs, but the licensee to be permitted to utilize works it had prepared in reliance on the license:

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<sup>91</sup> *Stewart*, 495 U.S. at 212. The case establishing this was *Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373 (1960).

<sup>92</sup> *Stewart*, 495 U.S. at 212.

<sup>93</sup> *Stewart*, 495 U.S. at 212.

<sup>94</sup> 551 F. 2d 484(1977).

<sup>95</sup> *Stewart*, 495 U.S. at 213, citing *Rohauer*, 551 F. 2d, at 494..

"[T]he equities lie preponderantly in favor of the proprietor of the derivative copyright. In contrast to the situation where an assignee or licensee has done nothing more than print, publicize and distribute a copyrighted story or novel, a person who with the consent of the author has created an opera or a motion picture film will often have made contributions literary, musical and economic, as great as or greater than the original author. . . . [T]he purchaser of derivative rights has no truly effective way to protect himself against the eventuality of the author's death before the renewal period since there is no way of telling who will be the surviving widow, children or next of kin or the executor until that date arrives." <sup>96</sup>

The Supreme Court, however, rejected that approach as lacking any foundation in the text of the copyright statute. <sup>97</sup> The Court then dealt with an argument rooted in the 1976 Act. The 1976 extended the term of copyright for existing works. A pre1977 work would have 19 years added to its potential duration, in addition to the original 28 year term and the 28 year renewal term. So the potential term was lengthened from 56 to 75 years. Congress also dealt with the question, who should get the additional 19 years, where rights under the copyright had been transferred. Congress allowed the author or other rights holder to secure those rights, by exercising a right of termination. Where rights had been transferred, the author could terminate the transfer after the 56 year portion, thereby getting the copyright back for the additional 19 year period. Congress further addressed the question of derivative works. <sup>98</sup> The transferee, termination notwithstanding, would remain entitled to use derivative works prepared under the grant. So *Rohauer* had applied the same reasoning to lapses in transfers under the 1909 Act, holding that the transferee would likewise be able to continue to utilize derivative works prepared under the

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<sup>96</sup> *Stewart*, 495 U.S. at 222, citing *Rohauer*, 551 F. 2d at 493.

<sup>97</sup> *Stewart*, 495 U.S. at 222-23.

<sup>98</sup> *Stewart*, 495 U.S. at 226-27.

terms of the grant.<sup>99</sup> The Supreme Court, however, also rejected that reasoning. Rather, the Court reasoned, the existence of an express provision in the 1976 Act showed that Congress could have, but chose not to, provide an analogous provision in the 1909 Act.<sup>100</sup> Rather than showing some important policy that should be applied to both statutes, the provision in the 1976 Act simply reflected the bargaining among many interests that went into the long process of enacting that statute.<sup>101</sup> The Court next addressed in detail an argument made by the dissent, the theory that a derivative work is technically separate from the underlying work, and so lapse of a transfer of the underlying copyright should not affect the right to use the separate derivative work. The Court addressed this in a detailed analysis of the interplay between several provisions of the 1909 Act, along with the relevant legislative history, in order to demonstrate that the dissent's argument was "a creative, though ultimately indefensible, exposition of the 1909 Act."<sup>102</sup>

After all that, the Court addressed the issue of whether fair use would allow the producers to continue using *Rear Window*. So even to get to the fair use analysis, one must understand that the right allegedly infringed was one signed away to the defendant in exchange for payment, that was returned to the author's estate due to the author's death, combined with the Supreme Court's reading of the renewal provision in earlier cases, combined with the Court's rejection in *Stewart* itself of the leading case on point. In short, even to understand the issue in *Stewart* one must work through quite a bit of slightly arcane and archaic copyright law. In the other three Supreme Court cases, the starting point was much simpler: did fair use permit the use of a copyrighted TV program, book, or song?

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<sup>99</sup> *Stewart*, 495 U.S. at 226-27.

<sup>100</sup> *Stewart*, 495 U.S. at 226-27.

<sup>101</sup> *Stewart*, 495 U.S. at 226-27.

<sup>102</sup> *Stewart*, 495 U.S. at 230-36.

There are several ways that complexity of the threshold issues in *Stewart* undercuts its use as precedent in fair use. The renewal issue is long and complex, and addresses a novel issue, and so makes *Stewart* more likely to be thought of as a renewal case, and appropriately so. It also poses quite price of admission for fair use, requiring one to work through quite a bit in order to understand how the fair use issue arises. Related to that, it is likely that many who do not work through the issue (or simply did not have the other issues in mind) might see *Stewart* as a much simpler fair use case, involving simply the issue of whether it would be fair use to use a copyrighted story, without permission, as the basis for a film.

Perhaps *Stewart* was excluded by our taste for grouping things in three. It is typical for a scholar to refer to Campbell as “the third major Supreme Court decision in the fair use trilogy.”<sup>103</sup> No more than three scientists may share a Nobel Prize. An Olympic podium has three spots. Innumerable stories, from Harry Potter to Huckleberry Finn, have three principal characters. Intellectual property law in particular shows an inclination for triads of cases or tests. The teaching-suggestion-motivation test was for many years the key test for obviousness in patent law. Likewise the Freeman-Abele-Blair test determined whether a process was patentable. In copyright, the abstraction-filtration-comparison test is a leading test for determining whether copyrighted expression has been copied. That test is used in software cases and increasingly in other areas.<sup>104</sup> Most likely, *Stewart* was simply passed over in the narrative structure of case law. In interpreting the common law, we repeat the story that we have heard in earlier cases. In analyzing the case law on fair use, *Harper & Row* left *Stewart* on the cutting room floor and discussed *Sony*. *Campbell* then relied on *Harper & Row* and *Sony*. Lower courts take their cue

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<sup>103</sup> Gary Myers, Principles Of Intellectual Property Law 123 (Thomson West 2008). Perhaps fair use, like the hitchhikers guide to the galaxy, should be a trilogy with four parts.

<sup>104</sup> Cf. Mark Lemley, Our Bizarre System for Proving Copyright Infringement, 57 Journal of the Copyright Society 719 (2010)

from the Supreme Court, and *Stewart* simply didn't become part of the story. Just as *Rear Window* reminds us we cannot always trust our eyes, so the story of *Stewart* reminds us to look a little deeper in the stories we rely on. After the parties finally resolved their copyright dispute, *Rear Window* was successfully rereleased. Perhaps *Stewart*'s fair use analysis will likewise find a renewed audience.

Less fancifully, *Stewart*'s brevity could have been mistaken for lack of depth. The fair use discussion in *Stewart* is short but incisive. In addition, the facts of *Stewart* are different in several respects from the three other three Supreme Court fair use cases, meaning that *Stewart*'s holding represents potential new ground in fair use, simply by applying that holding to the facts, even where the analysis in *Stewart* may not have directly addressed the issue. The rest of this section will discuss the possible uses that *Stewart* may offer fair use analysis.

Unlike the other cases, *Stewart* involves a dispute between a copyright holder and a licensee.<sup>105</sup> Many copyright disputes involve parties that had licensing agreements. In the triad of cases, by contrast, the fair use issue arose between parties that did not have an agreement (and in *Campbell*, had failed to reach a licensing agreement). Many copyright disputes arise between parties to a licensing agreement.<sup>106</sup> In one widely cited fair use case, *Wall Data, Inc. v. L.A. Cnty. Sheriff's Dep't*,<sup>107</sup> the Sheriff's department of Los Angeles purchased some 3,663 licenses to install and use a software package. The department, however, installed the software on 6,007 computers, configuring its network so that no more than 3,663 computers could use the software at any given time. Although the arrangement was in violation of the clear terms of the license, the defendant argued unsuccessfully that fair use applied. *Stewart* could have thrown

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<sup>105</sup> Cf. Randal C. Picker, Fair Use v. Fair Access, 31 Colum. J.L. & Arts 603, (2008)(discussing how unbundling rights can benefit licensees).

<sup>106</sup> On the effect of fair use on technology development generally, see Fred von Lohmann, *Fair Use as Innovation Policy*, 23 BERKELEY TECH.L.J. 829 (2008).

<sup>107</sup> 447 F.3d 769 (9th Cir. 2006).

light on the issue, whether fair use may allow one party to a transaction to gain greater rights than it had bargained for. There may be instances where fair use does that, but *Stewart* suggests that they will be limited.

*Wall Data* seems relatively straightforward: where the party bargained for and paid for 3,663 licenses, fair use will not allow it to obtain 6,007 licenses by a subterfuge. One can imagine slightly different facts, however, where the equities could be different. If due to unexpected circumstances (such as a technological change), perhaps the party could not utilize the licenses in the manner expected. Would fair use then allow expansion of the rights under the license? *Stewart* tends to suggest not. In *Stewart*, the producers had bargained and paid for the movie rights for both the original and renewal term of the copyright. Because of the author's death (and judicial interpretation of the copyright statute), they did not receive the rights bargained for. Nevertheless, fair use did not apply. That suggests that a party's rights are likely to be measured by what it bargained for, in light of the law, and that fair use will not serve as the counterpart to contract law's reformation doctrine – at least on facts similar enough to *Stewart*.

*Stewart* also sheds light on the key factor, effect of the use on market for the copyrighted work. Licensing possibilities figured in the reasoning of each of the triad cases. The *Sony* court placed particular weight on the fact that the copyright holders had not shown any loss of licensing revenue. The copyright holders did propose several possible costs, such as loss of advertising revenue because viewers would skip over commercials, or loss of viewership because viewers would maintain libraries of recorded shows. But they failed to show any specific actual damages. The key fact in that case was that the plaintiff was able to point to a specific loss of licensing revenue. They had an agreement with a magazine to publish prepublication excerpts of the book. After excerpts appeared in *The Nation*, that contract and its accompanying revenue

were canceled. The court held that there was no loss of marketing opportunity due to a parody rap version of the copyrighted song, because a copyright owner would be unlikely to license a parody that criticized that very copyrighted work. The licensing market for the work at question is likely to come into play. once again whether there was loss of a market opportunity was determinative.

As in the other cases, loss of potential licensing revenue was the determinative factor. If Hitchcock continued to show his film, then that would have a negative impact on the potential market for other films based on the same short story. The context of the market discussion, however, is quite different than the other cases. In *Stewart*, the two parties to the case had been parties to a licensing transaction. One had lost the legal right (due to a quirky series of cases) to exploit the copyrighted work. In effect, that party sought to use the fair use to gain greater rights than had been granted in the transaction. In all the other cases, the fair use issue arose between strangers, not parties who were disputing a previous transaction. So *Stewart* would seem to be a valuable precedent, in an important area of law with relatively few cases on point.

*Stewart* can be read for several implications as to the market harm factor. First, *Stewart* applied a relatively low standard, where the party attempted to use a work beyond the rights it had successfully secured. The Court simply reasoned that Hitchcock continuing to show *Rear Window* would impinge on the potential market for other films based on the short story. One can also read into *Stewart* an important point. The most concrete harm to the copyright holder was that Hitchcock no longer was paying royalties. Whether another movie would be made from the story was one question, but there was already an existing, singular market for licensing the story: the existing work, *Rear Window*. In other cases, it may well be that the most likely market for the work is the very one that the defendant has exploited. Another appellate case that has been cited

many times addresses this issue. In *Iowa State University Research Foundation, Inc. v. American Broadcasting Companies, Inc.*,<sup>108</sup> a television network used, during its Olympic broadcasts, a student's documentary film about an Olympic athlete's training. There was little market for the work, other than the defendant's use, but that was sufficient harm to overcome fair use. *Stewart* would be valuable precedent in addressing that relatively common situation, where a defendant has made use of a work, but there are few other likely markets.

The area where *Stewart* has the most to offer may be one on which the Court had little to say. *Stewart* helps explore the boundaries of fairness. In particular, *Stewart* addresses a little more directly something that the other three cases do not. Fair use depends ultimately on an assessment of what is fair. That short word "fair" of course is subject to many interpretations. In *Stewart*, the movie producers have a pretty good argument that it would only be fair for them to continue to show the movie. They had bargained with the author of the story to receive the movie rights forever. They did not enjoy those bargained for rights for two reasons: that author's death and the coming of case law which interpreted the governing copyright law provisions to divest them of what they considered their bargained for rights. Indeed, only in *Stewart* itself was the question answered.

With respect to the issue of fairness, *Stewart* raises an issue not present in any of the triad cases. In *Stewart*, unlike the others, the defendants had acted in reliance on rights they had obtained from the author. That element of reliance plays a key role in many equitable doctrines. Promissory estoppel, to take one of many possible examples, requires that the claimant act in reasonable reliance upon the promise in question. Fair use, as an equitable doctrine, may well take reliance into account. The copyright statute now even makes some provision for reliance. In

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<sup>108</sup> 621 F.2d 57 (2<sup>nd</sup> Cir. 1980).



its “innocent infringer” defense, the remedies may be limited where someone reasonably believes that her actions were protected by fair use.

*Stewart*, however, avoided discussion of the fairness issue. In particular, *Stewart* did not directly address the comparison with the termination provisions, which allow continued use of derivative works prepared under the terms of the grant (in other words, in reliance on the grant). One could also argue that *Stewart* was quite different from the case where a young author sells the rights to a book, where the termination provisions may come into effect years later. Rather, *Stewart* involved only the movie rights to a story. The movie producers were not selling copies of the story, they were showing a film which reflected the creative contributions of many more people. Had fair use been held applicable, the author’s heirs would still have retained all the other rights in the story: the right to publish the story and the right to make other works based on the story (other movies, television shows, musicals,...). The *Stewart* court, however, did not take a broad approach to the concept of what is or is not fair. Rather, it implicitly relied on a more practical approach - a deal is a deal. Under *Stewart*’s approach, fair use is not likely to be a tool with which parties could gain greater rights than they have received under a licensing agreement or with which parties could in effect renegotiate licensing agreements.

## **Conclusion**

Fair use is both one of the most important rules in copyright and one of the most fact-bound. *Sony*, *Harper & Row*, and *Campbell* have provided the authority on the application of fair use. Broader consideration of *Stewart* could augment the precedential guidance. *Stewart*’s fair use analysis is less detailed than the other cases, but the decision nevertheless bears on important areas that the other cases do not: the role of fair use, where the parties in litigation were parties to a transaction; definition of cognizable markets, in determining whether the use at issue has an

adverse effect on the market for the copyrighted work; and most of all, giving content to what is “fair” in fair use, especially where a party has relied on an apparent right to utilize the copyrighted work.