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## Seventh Circuit Criticizes Second Circuit's "Transformative Use" Approach to Fair Use

Client Alert

September 19, 2014

On September 15, 2014, the U.S. Court of Appeals for the Seventh Circuit issued a notable opinion on the relevance and importance of "transformative use" on the copyright fair use analysis. (*Kienitz v. Sconnie Nation LLC*, No. 13-3004, 2014 WL 4494825 (7th Cir. Sept. 14, 2014)).

In a unanimous 3-0 ruling, the court ruled that an alleged infringer's use of a copyrighted photograph on apparel constituted fair use. The court's opinion, however, is most significant for its open skepticism of the Second Circuit's finding in *Cariou v. Prince*, 714 F.3d 694 (2nd Cir. 2013) ("*Cariou*") that a work may be transformative as a matter of law – regardless of its purpose and connection to the original copyrighted work – if it "alters the original with new expression, meaning, or message." In particular, and as detailed below, the court cautioned that *Cariou's* interpretation and application of the fair use doctrine compromises, and possibly eliminates, a copyright holder's statutory right to prohibit others from making derivative works under 17 U.S.C. § 106(2).

### The Lawsuit and District Court Opinion

In 2011, plaintiff Michael Kienitz photographed Madison, Wisconsin mayor Paul Soglin, who subsequently (with Mr. Kienitz's permission) posted the photograph on the City's website. The same year, Mayor Soglin publicly sought to shut down Madison's annual "Mifflin Street Block Party" – a political activism event which he helped organize in 1969. Seeking to capitalize on this perceived hypocrisy, defendant-apparel company Sconnie Nation LLC ("*Sconnie Nation*") downloaded the Mayor's photograph from the City website, altered its color, detail and lighting, and printed it onto t-shirts bearing the phrase "Sorry for Partying." Upon learning of the t-shirts, Mr. Kienitz registered the photograph and filed suit against Sconnie Nation for copyright infringement.

The Western District of Wisconsin granted Sconnie Nation's motion for summary judgment, finding that the t-shirt made fair use of Mr. Kienitz's photograph.<sup>[1]</sup> Of relevance, the district court relied in part on the Second Circuit's opinion in *Cariou* to support its finding that by making "a monochromatic outline of Mayor Soglin's image in a Paschke-esque neon green," Sconnie Nation had made "the character and expression of the image [] completely different from the original." *Kienitz v. Sconnie Nation LLC*, 965 F. Supp. 2d 1042 (W.D. Wis. 2013).

### The Seventh Circuit Affirms the District Court, but Questions the Second Circuit's Rationale in *Cariou*

The Seventh Circuit affirmed the grant of summary judgment based on fair use, but did so on different grounds than the district court. Rather than cite *Cariou* with approval, the court questioned the propriety of the Second Circuit's near-singular focus on the alleged infringing work's "transformative use". Specifically, the court noted that "transformative use" is *not* one of the four enumerated fair use factors. Rather, it is simply *one aspect* of the first fair use factor, which looks to the "purpose and character" of the use.

Thus, the Seventh Circuit warns, by asking exclusively whether a use is "transformative" (*i.e.*, whether it alters the original with new expression, meaning, or message) without *also* considering the underlying purpose of the use (*i.e.*, whether it critiques, comments, teaches, and/or reports upon the original), *Cariou* risks not only replacing the fair use factors in 17 U.S.C. § 107, but entirely overriding the derivative work right in 17 U.S.C. § 106(2):

*To say that a new use transforms the work is precisely to say that is derivative and thus, one might suppose, protected under § 106(2). Cariou and its predecessors in the Second Circuit [however,] do not explain how every "transformative use" can be "fair use" without extinguishing the author's rights under § 106(2).*

Therefore, rather than base its ruling solely (or even primarily) on Sconnie Nation's "transformative use," the Seventh Circuit opted to "stick with the statutory list, of which the most important usually is the fourth (market effect)."

In this regard, the court asked "whether the contested use is a complement to the protected work (allowed) rather than a substitute for it (prohibited)." Because the t-shirt was "no substitute for the original photograph," and Mr. Kienitz did not argue that Sconnie Nation disrupted any plans to license the photograph for apparel, this factor weighed in favor of fair use.<sup>[2]</sup>

### What's Next?

*Kienitz* is not the first critique of *Cariou's* interpretation of the fair use doctrine or, in particular, the significance of a work's "transformative use" on the fair use analysis. See Case Comment, *Second Circuit Holds that Appropriate Artwork Need Not Comment on the Original to be Transformative*, 127 Harv. L. Rev. 1228 (2014) ("The *Cariou* court's rule was not precluded by precedent, but the definition the court adopted is still the broadest of any

circuit court yet – and is in direct tension with the statutory definition of derivative works"); Brief of Amicus Curiae New York Intellectual Property Law Association, *Cariou v. Prince*, No. 13-261, 2013 WL 5436664 (U.S. Sept. 25, 2013) (arguing on petition for certiorari that *Cariou* analysis of fair use did not accord with stator preamble of fair use doctrine).

However, as *Kienitz* is the first Circuit-level critique of *Cariou*, the opinion represents the genesis of a noteworthy Circuit split on the correct application and significance of a work's "transformative use" on the fair use inquiry. In-house counsel and potential litigants therefore should be mindful to monitor the judicial aftermath of *Kienitz* in other Circuit courts and, in particular, district courts in New York, Connecticut, and Vermont (where *Cariou* remains good law).

We will continue to follow and keep our clients updated on these important issues.

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[1] The fair use doctrine, codified in Section 107 of the Copyright Act, requires courts to weigh the following nonexclusive factors: (i) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (ii) the nature of the copyrighted work; (iii) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (iv) the effect on the use upon the potential market for or value of the copyrighted work.

[2] With respect to the remaining factors, the court found that (i) although Sconnie Nation sold the t-shirts for profit, they "chose the design as a form of [*i.e.*, for the purpose of] political commentary; (ii) Sconnie Nation removed so much of the original work that "what [was] left, behind a hint of Soglin's smile, is the outline of his face, which can't be copyrighted"; and (iii) because Mr. Kienitz did not argue that Sconnie Nation's acts reduced the value of the photograph, the "nature of the copyrighted work" factor was "unilluminating."