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Transforming Fair Use in Copyright Infringement: *Goldsmith v. Warhol*

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The U.S. Court of Appeals for the Second Circuit, in *The Andy Warhol Foundation for the Visual Arts, Inc. v. Lynn Goldsmith and Lynn Goldsmith, Ltd.*, has ruled that contemporary artist Andy Warhol's 1984 images of musical artist Prince did not make fair use of photographer Lynn Goldsmith's 1981 photograph of the music legend, overturning the 2019 decision from the U.S. District Court for the Southern District of New York.

At its core, this matter involves a conflict between an artist's right to express ideas, including the creation of original works incorporating preexisting material, and the right of a creator to control his original work.

The Andy Warhol Foundation ("AWF") has petitioned for panel rehearing and rehearing *en banc*, arguing that the Second Circuit's decision departed from established fair use precedent and will have far-reaching consequences.

In response, Goldsmith filed its opposition to the motion for rehearing.

The ultimate outcome of this case will have significant impact on art law, and copyright law more generally.

BACKGROUND

This case involves a series of 16 silkscreen prints and pencil illustrations created by the late Andy Warhol. The series is based on a 1981 photograph of late musical artist Prince taken by Lynn Goldsmith, to which she holds a registered copyright. Goldsmith is a professional photographer and founder of Lynn Goldsmith Ltd. ("LGL") whose works concentrate on celebrities.

Andy Warhol is recognized for his substantial contributions to contemporary art in mixed media. In particular, Warhol's fame is most attributed to his silkscreen portraits of modern icons, each of which is readily recognizable as a "Warhol." AWF holds title to and copyright in much of Warhol's work.

After Warhol's death in 1987, AWF acquired title to and copyright in the Prince Series. In 2016, following Prince's death, Goldsmith claimed that she first became aware of the Prince Series, and notified AWF of the alleged violation of her copyright in the photo. One year later, in 2017, AWF brought suit for a declaratory judgment against Goldsmith and LGL, alleging that the Prince Series works were non-infringing or, in the alternative, that they made fair use of Goldsmith's

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photograph; Goldsmith and LGL countersued for infringement.

THE DISTRICT COURT'S DECISION

The district court, in a decision by Judge John G. Koeltl, granted summary judgment to AWF on its assertion of fair use, and dismissed Goldsmith's and LGL's counterclaim. In his opinion, Judge Koeltl explained that "fair use" is a statutory exception to copyright infringement and recited the four statutory factors used to determine whether a use is fair:

- (1) The purpose and character of the use;
- (2) The nature of the copyrighted work;
- (3) The substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) The effect on the potential market for or value of the copyrighted work.¹

Although the district court found that the use of the Prince Series was commercial, it decided overall that the use was fair, primarily because it was transformative: The Goldsmith photo depicted an up-and-coming, insecure artist and the Warhol depicted a wildly successful music legend. The court found that the accused works "have a different character" (emblematic of a "Warhol") that gives Goldsmith's photograph a "new expression" by employing new aesthetics with creative and communicative results distinct from Goldsmith's.

Further, the new works add "something new to the world of art and the public would be deprived of this contribution if the works could not be distributed." As such, the court found that the first, most important, fair use factor weighed strongly in AWF's favor. Finding that all the factors weighed in favor of AWF, aside from the commercial nature of the work, the court ultimately held that the use was fair.

SECOND CIRCUIT APPEAL

Goldsmith appealed to the Second Circuit primarily arguing that the district court's conclusion regarding transformative use "was grounded in a subjective underlying artistic message of the works, rather than an objective assessment of their purpose and character." The Second Circuit sided with

Goldsmith and reversed. It agreed with the district court only in the determination that the use was commercial; it disagreed with the district court on all other factors that the district court had found weighed in favor of AWF.

The court first explained that the fair use defense aims to strike a balance between a copyright owner's rights to his work, including the right to license and develop derivative works, and others' right to express themselves with transformative use of the original work. The court grappled with the distinction between transformative and derivative works for the entire decision.

As to transformative use, the court explained that the focus is "chiefly on the degree to which the use is transformative," and specifically on "whether the new work merely supersedes 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."²

The appellate court acknowledged that, in its finding of transformativeness, the district court relied on an earlier Second Circuit decision, *Cariou v. Prince*,³ but noted that *Cariou* "has not been immune from criticism," and was the "high-water mark of [the] court's recognition of transformative works."

Cariou was a case involving Patrick Cariou's black-and-white photographs of Rastafarians being used as the "raw material" by appropriation artist Richard Prince in creating his work. In that case, the Second Circuit concluded that the works were transformed by "the creation of new information, new aesthetics, new insights and understanding." While criticizing the district court for "stretch[ing] the decision [in *Cariou*] too far," the court also acknowledged that "alteration of an original work 'with new expression, meaning or message,' . . . whether by use of 'new aesthetics,' . . . by placing the work 'in a different context,' . . . or by any other means is the *sine qua non* of transformativeness." But, it found, "[i]t does not follow, however, that any secondary work that adds a new aesthetic or new expressions to its source material is necessarily transformative."

Instead, the court noted, "there exists an entire class of secondary works that add 'new expression, meaning, or message' to their source material but are nonetheless specifically *excluded* from

the scope of fair use: derivative works.” The panel continued: “[W]here a secondary work does not obviously comment on or relate back to the original or use the original for a purpose other than that for which it was created, the bare assertion of a ‘higher or different artistic use’ . . . is insufficient to render a work transformative,” and it instead is derivative and infringing. For a finding of transformativeness, the secondary work needs to “reasonably be perceived as embodying an entirely distinct artistic purpose, one that conveys a ‘new meaning or message’ entirely separate from its source material.” The court found that works that fall within this ambit are often works “that draw from numerous sources, rather than works that simply alter or recast a single work with a new aesthetic.”

Further, according to this court, “whether a work is transformative cannot turn merely on the stated or perceived intent of the artist or the meaning or impression that a critic – of for that matter, a judge – draws from the work.” A judge is not an art critic. Rather, the “judge must examine whether the secondary work’s use of its source material is in service of a fundamentally different and new artistic purpose and character, such that the secondary work stands apart from the ‘raw material’ used to create it.” The “secondary work’s transformative purpose and character must, at a bare minimum, comprise something more than the imposition of another artist’s style on the primary work such that the secondary work remains both recognizably deriving from and retaining the essential elements of its source material.”

Acknowledging Warhol’s distinctive style and observing that Warhol had clearly altered the aesthetic of Goldsmith’s photograph, the Second Circuit noted that these visual differences do not render Warhol’s rendition transformative:

- (1) The Prince Series works retained essential elements of their source material;
- (2) The modifications made by Warhol only magnified some elements and minimized others; and
- (3) Goldsmith’s photograph remained “a recognizable foundation upon which the Prince Series is built.”

In its analysis, the court analogized to a novel adapted into a screenplay – a work that is definitively viewed as a derivative work, despite the filmmaker’s influence on a film. Warhol’s adaptation of the Goldsmith photograph was seen as just an adaptation of the original work, and therefore an infringing, derivative use.

PETITION FOR REHEARING *EN BANC*

In its motion for a rehearing *en banc*, AWF argued that the original panel’s decision “conflicts with Supreme Court and Second Circuit precedent and creates a circuit split on an issue of exceptional importance to copyright law and free expression.” AWF is joined by *amici* who have filed briefs arguing the same. Claiming that the appellate panel departed from the principle defined in *Campbell* and upheld in the recent *Google v. Oracle* decision, AWF argued that the panel’s rejection of the well-known and often-used different “meaning [and] message” analysis in favor of an analysis that determines whether a work was reasonably derived from and retained the essential elements of its source material, was in error.

AWF’s petition differentiates a film adaptation of a novel by noting that the adaptation of a novel does not express a new message. Here, the petition argues that the Prince Series communicates the “opposite” message from Goldsmith’s photograph, i.e., the strength of the well-known artist Prince instead of the vulnerability of the up-and-coming artist Prince. Thus, the petition argues, the Prince Series is transformative. The petition cites decisions by the U.S. Courts of Appeals for the First, Fourth, Sixth, Ninth, and Federal Circuits where the courts have found transformative use when the new work conveyed a different message from the original work and argues that the *Goldsmith* decision creates a circuit split.

Finally, the petition claims that the panel’s decision “will have extraordinary and harmful effects in an area of exceptional public importance” insofar as it “threatens to render *unlawful* large swaths of contemporary art that incorporates and reframes copyrighted material to convey a new and different message.” AWF concludes by claiming the court’s holding “will inevitably chill the creation of similar art in the future” and will “deter many artists” from “using existing imagery in the service of new and

different creative expression,” eviscerating the First Amendment safeguard that fair use was meant to provide.

Goldsmith, in its opposition brief, argued that the decision was entirely in line with the *Google* decision, which also was in line with established fair use law, and in any event, *Google* did not directly apply because it concerned a functional computer code, not an artistic work. In responding to the court’s request to address the impact of *Google*, Goldsmith noted that “the Supreme Court in *Google* expressly stated the decision was not changing the legal framework for assessing fair use.” Instead, the Supreme Court emphasized: “We do not overturn or modify our earlier cases involving fair use.”

Goldsmith further argued that *Google* “emphasized that the issue of fair use is case-specific, and that the unique features of computer code influenced the Supreme Court’s application of settled fair-use principles in that case,” thus making *Google* consistent with the panel’s decision. Goldsmith’s brief did not reach the other points discussed in the AWF brief and by *amici*.

IMPACT OF THE DECISION IF IT STANDS

The panel’s decision that the Prince Series was not transformative but was instead closer to derivative purported to clarify the court’s prior position in *Cariou*, while also maintaining the basis of the Supreme Court’s 1985 *Harper & Row* decision finding no fair use when a secondary work took the “heart” of the original work. However, this decision leaves artists and litigants without a clear test to determine whether a work that is based on a single other work is transformative, and therefore fair use, or derivative, and therefore an infringing use.

The panel directed that the inquiry regarding whether a work is transformative concentrate on whether the new work has a “fundamentally different and new artistic purpose and character, such that the secondary work stands apart from the ‘raw material’ used to create it.” While it would seem to follow that this analysis requires a court to decide whether the secondary work does stand apart from the source material, the panel confusingly

and explicitly stated that a court should not make “inherently subjective” judgments regarding an artist’s intended meaning of the artwork at issue as courts are not art critics. What then is the panel’s direction to the lower courts on how to engage in the fair use inquiry of whether an allegedly infringing work is substantially similar to the original?

Are we left with a system where Section 106 of the Copyright Act, in granting a creator the exclusive right to create derivative works, negates the protections under the Section 107 defense of fair use?

Or is the Second Circuit returning to a more restrictive view that follows the literal interpretation of Section 107, which provides a safe harbor for purposes such as criticism, comment, news reporting or teaching, notwithstanding the provisions of Sections 106 and 106A?

Can fair use only be asserted when the new work comments on or criticizes the source work?

Can a photograph of another copyrighted work ever be deemed a transformative use if the photograph captures the source work in its entirety, such as a photograph of a painting, street art or a copyrighted food label?

While the panel’s ruling distinguishes the importance of a work being “transformative” as compared to “derivative,” the implication of these classifications likely will be further clarified by the decision on the petition for rehearing and rehearing *en banc*, and perhaps through a petition for certiorari to the U.S. Supreme Court.

Until such time as this issue is further clarified, artists, musicians, photographers, and other creators of works should be aware of this decision, which, for a finding of fair use, seems to require that their works stand apart from any source material on which they are based such that their works have a fundamentally different and new artistic purpose and character.

Notes

1. See 17 U.S.C. § 107; *Harper & Row Publishers v. Nation Enters.*, 471 U.S. 539, 560-61 (1985).
2. Citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994).
3. *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013).

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