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Comments on Preliminary Draft 9

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From: Shyamkrishna Balganes, Jane Ginsburg, and Peter S. Menell

To: Project Reporters, ALI Restatement of the Law, Copyright

Subject: Preliminary Draft No. 9 (August 2023)

Date: September 26, 2023

We are writing to offer our views on Preliminary Draft No. 9 (“PD9”) and express our deep and persistent concern about the direction and methodology that the Project continues to take, which we have sought to address and remedy at multiple points over the last several years. The elements of PD9 that we describe below are, in our view, particularly striking illustrations of the problems that we have previously identified. The gravity and salience of PD9’s problems are borne out in the comments of Judge Pierre Leval, who describes elements of the draft as requiring “a substantial editing and rewriting.” Failure to undertake those fundamental revisions will perpetuate an erroneous view of the current law, with “profound consequences.” Pierre N. Leval, Comments on PD9, at 4-5 (“Leval Comments on PD9”). Judge Leval limits his comments to the fair use provisions in PD9; we note that the same concerns arise in an additional area: PD9’s treatment of the derivative works right. Judge McKeown has also highlighted significant problems in both these areas, stating, *inter alia*, that “the fair use section offers a position that is flatly at odds with the Supreme Court’s teaching that factor one requires justification.” M. Margaret McKeown, Comments on PD9, at 1. We elaborate on our concerns more fully below.¹

I. The Derivative Works Right

We focus on here on two problems with PD9’s treatment of the derivative works right, both of which *narrow* and *curb* the scope and reach of that right. The first is PD9’s view that a work cannot infringe the derivative work right unless the defendant’s work meets copyright law’s originality requirement.² The second is PD9’s omission of any discussion of the scope of the derivative work right.

¹ At the outset, we should note that these two areas, and the related question of fair use as an affirmative defense (§ 7.05(b)), are not the only ones where we have concerns about PD9’s treatment of current law. We are however limiting ourselves to these three, since they represent egregious deviations from current law, and in the hope that the Reporters will engage in a comprehensive re-write of the entire draft. We would appreciate further time to comment on secondary liability and address less significant drafting suggestions.

² Curiously, PD9 states that the “Restatement does not take a position on, the question of whether the originality necessary to trigger the derivative-work right must be contributed by a human being, as is required for purposes of copyrightability of all works as discussed in § 6, Comment *c*, of this Restatement.” PD9, at 9. This makes no sense in two ways. First, as the Copyright Office and judicial authorities make clear, “originality” means human creativity; there is no such thing as originality that is not contributed by a human being. Second, if human creativity is necessary to copyrightability, and if copyrightability is necessary to infringement of the derivative work right, then the Restatement has taken a position: only human-created derivative works can infringe the derivative work right. That in turn means that no machine-generated adaptation lacking sufficient human authorship will infringe the right, a result in clear contradiction to the technologically forward-looking approach elaborated in the legislative history discussed *infra*.

A. Infringement of the Derivative Work Right Does Not Require Proof that the Defendant's Work Meets the Originality Standard

Central to PD9's attempted restatement of the statutorily recognized right to prepare derivative works (17 U.S.C. §106(2)) is its obvious effort to *narrow* and *cabin* the scope and reach of that right, which it acknowledges. PD9, at 9. Even if that approach represents an acceptable view of how copyright law should develop (which in our view, it does not), it is not in the least bit borne out by the current authorities that PD9 cites as support. Our concern is therefore not just that the position is misguided but also that it is erroneously presented as an accurate description of the law that flows from the statute and a line of precedents. It is an aspirational rewriting of positive copyright law.

This approach is most obvious in Comment *e.* to §6.03, where PD9 adopts the view that the right to prepare derivative works can be infringed only by work that meets the general copyright originality standard. PD9 “takes the position that originality is inherent in the concept of [a] ‘derivative work’ and thus an element of infringement of that right.” PD9, at 8. This reference to “the concept” of a derivative work overlooks the clear text and intent undergirding the exclusive right. Furthermore, PD9's explanation for its position does not support its bold assertion.

PD9 first notes that its position “is consistent” with the understanding of the Supreme Court in the *AWF* case. PD9, at 8. In fact, the Court *did not address the question of the originality of a derivative work to prima facie infringement*. PD9 quotes from *AWF*, but that quotation, which comes from an amicus brief that we filed (and which was referenced to the Court at argument), was entirely about reconciling the use of the term “transformed” in the definition of derivative work in the statute and the use of transformativeness as part of the first fair use factor balance.³ In it, we proposed the idea of a “go beyond” test to differentiate the two, and which the majority opinion in *AWF* endorsed. As such, it was entirely orthogonal to the question of originality as a requirement of §106(2).

PD9 then claims that the Second Circuit's decision in *Woods v. Bourne*, 60 F.3d 978 (2d Cir. 1995), supports its position. PD9, at 8-9. To this end, it misleadingly quotes the court's observation that “for a work to qualify as a derivative work it must be independently copyrightable.” *Id.* at 9. The very next sentence of the court's opinion clarifies the context for that observation: “[t]he basis *for copyright protection* contained in both the constitution and the Copyright Act is originality of authorship.” 60 F.3d at 990 (emphasis added), making very clear that the court was speaking only of originality in the limited context of the copyrightability of derivative works, *not infringement under §106(2)*.

Indeed, the leading case to have directly considered the issue noted the divergence in views and chose not to take sides. *Lee v. A.R.T. Co.*, 125 F.3d 580, 582 (7th Cir. 1997). The opinion in *Lee* acknowledged that it was diverging from the position of the Ninth Circuit, where an infringement of §106(2) has been understood as not requiring a showing by the plaintiff of

³ As the Court observed: “To preserve the copyright owner's right to prepare derivative works, ... the degree of transformation required to make ‘transformative’ use of an original work must *go beyond* that required to qualify as a derivative.” *Warhol*, 143 S. Ct. at 1275 (emphasis added). Our brief asked the Court to “reaffirm *Campbell*'s holding that for uses which result in the creation of a derivative work, the fair use inquiry must examine the level of transformativeness that *goes beyond* the transformation simply seen in a derivative.” Brief of Peter S. Menell, Shyamkrishna Balganes, and Jane C. Ginsburg, *AWF v. Goldsmith*, 2022 WL 3371308 (U.S.), 27-28 (emphasis added).

originality in the defendant's work. *Id.*; *Lone Ranger Tel. Inc. v. Program Radio Corp.*, 740 F.2d 718, 722 (9th Cir. 1984). *Lee* recognized that it was creating a “conflict among circuits.” *Lee*, 125 F.3d at 722 n.2. PD9 does not address *Lone Ranger*, let alone reference it in this discussion.

Confusingly, PD9 notes that even if courts have “not imposed a strict originality requirement” for §106(2) violations, they “find related limitations” from the statute’s language of “recast, adapted or transformed.” PD9, at 9. While the claim is certainly true since the words of the statute obviously matter, that has little bearing on the need for a plaintiff to prove that a defendant’s work is original in establishing infringement of the §106(2) right. Again, in *Lee* the Seventh Circuit adopted precisely this approach to find that the defendant had not infringed the §106(2) right, and yet it refrained from reading originality into its understanding of that right. Again, PD9’s discussion is misleading.

To be clear, Restatements must and often do make a choice among competing positions, and this is one of their roles. *See* Shyamkrishna Balganesh, *Relying on Restatements*, 122 Colum. L. Rev. 2119, 2171 (2022). All the same, in so doing a Restatement must acknowledge that it is exercising this choice and make clear its reasons for doing so, which the ALI Style Manual describes as ensuring a “fit” with the “broader body of law” and ascertaining “the relative desirability of competing rules.” ALI, *Capturing the Voice* 5 (2015). PD9 has not done so. Furthermore, its position is contradicted by the statute.

I. Statutory Text

The discussion of originality for an infringement of the derivative works right must address the text and structure of the relevant statutory provision, which reveal Congress’s intention on the question.

The first sentence of the definition of a derivative work identifies examples of works that fit the criteria mentioned therein, as illustrations of the overall category. This sentence omits any mention of originality. This is in contrast to the second sentence of the same definition, which also lists examples but prominently qualifies them with “which . . . represent an *original* work of authorship.” 17 U.S.C. §101 (definition of “derivative work”) (emphasis added). A longstanding rule of statutory construction—*expressio unis est exclusio alterius*—“instructs that where a law expressly describes a particular situation to which it shall apply, what was omitted or excluded was intended to be omitted or excluded.” *Reyes-Gaona v. N. Carolina Growers Ass’n*, 250 F.3d 861, 865 (4th Cir. 2001). When Congress excluded any reference to originality in the first sentence but expressly included it in the second, that omission from the former must be seen as intentional and deliberate. As such then, it would mean that Congress recognized that some derivative works could lack originality, not for protectability, but for infringement of the §106(2) right. Originality is a general requirement for protectability, and it is no more necessary to incorporate it into the overall definition of this category of works than into other categories, such as audiovisual works, literary works, pictorial graphic and sculptural works, or sound recordings, all of which are defined in the statute without any reference to originality. *See* 17 U.S.C. §101.

There is a reason for specifying originality with respect to works in the second sentence, a reason directly relevant to protectability: works in the second sentence’s categories of “editorial revisions, annotations, modifications” can also be “abridgement[s]” or “condensation[s]” and thus come within the range of works that may infringe the derivative works right (as well as qualify for protection if they satisfy the general requirement of originality). The additional requirement of originality for these typically “thin copyright” works in the second sentence clarifies, consistently

with §103(b), that the copyright in works of this kind is limited to the value added, independently of the underlying work. *See* 17 U.S.C. §103(b).

Indeed, not to accept the construction offered immediately above would run up against another equally crucial canon of statutory construction: the canon against surplusage, “the cardinal principle of statutory construction that courts must give effect, if possible, to every clause and word of a statute.” *Williams v. Taylor*, 529 U.S. 362, 364 (2000). To read originality from the second sentence of the definition into the categories used in the first sentence would render the separate sentences clearly superfluous. Indeed, it would fail to explain why Congress chose two separate sentences for two different lists of illustrations, which seems obviously illogical and redundant. A more acceptable reading relies on the presence/absence of originality in one and not the other.

Further, the list contained in the first sentence of the definition (i.e., which omits any mention of originality) prominently includes in its list of examples the category of “art reproductions,” works that would logically lack originality. PD9 approvingly quotes from Judge Leval’s opinion in *Authors Guild v. Google, Inc.*, 804 F.3d 202, 225 (2d Cir. 2015) for other propositions, *see* PD9 at 59. Yet it fails to recognize that *Authors Guild* identifies an art reproduction as “the reproduction of a painting in the form of a poster or post card,” a work that would by that very description lack originality and takes it to be a paradigmatic instance of a derivative work. *Authors Guild*, 804 F.3d at 225. Such a reproduction, which merely alters the “form”, clearly lacks originality and despite this the statute treats it as a derivative work and illustrative of the entire category. The same might be said of “abridgement[s]” and “condensation[s]” some of which may manifest no more than “the facile [unoriginal] use of the scissors,” *Folsom v. Marsh*, 9 F. Cas. 342, 345 (C.C.D. Mass. 1841) (No. 4,901).

PD9 thus asks courts to ignore the statute and its clear intent for its chosen position, but does so without a clear reason. PD9 further claims that its reading avoids bad consequences, such as overextending the derivative works exception to the author’s termination right and interfering with the first sale doctrine. PD9, at 10-11. But those undesirable results follow only if one conflates protectability and infringement. In other words, PD9’s misconstruction of the derivative works right creates these very problems that it purports to solve.⁴ PD9 suggests that the conflation of protectability and infringement does not matter and does no harm. PD9, at 9 (“[T] here are few instances in which an unauthorized recasting, transformation, or adaptation of a copyrighted work will escape liability by virtue of lacking originality and therefore not constituting a derivative work”). But it matters very much when the holders of the reproduction and derivative works rights are not the same person. Not only would the derivative works rightholder have no claim against

⁴ PD9 also advances the mystifying claim that failure to narrow the derivative works right by excluding unoriginal derivative works “would also render meaningless the stringent scope limitations of the Visual Artists Rights Act, by giving all copyright owners the power to interfere with unauthorized modifications of copies of their works.” PD9, at 11. This statement makes no sense: VARA does not “empower copyright owners,” it grants rights to authors, independently of copyright ownership, *see* 17 U.S.C. §106A(b) (“Only the author of a work of visual art has the rights conferred by subsection (a) in that work, whether or not the author is the copyright owner.”). If PD9 means that failure to require that derivative works do not infringe the derivative works right unless they are original would give copyright owners rights against modifications that authors do not enjoy under VARA, the statement still makes no sense because even as construed by PD9, the derivative work right is broader than VARA. Under VARA, authors must show that the modification “would be prejudicial to his or her honor or reputation,” 17 U.S.C. §106A(a)(3)(A), no such requirement pertains to violations of the derivative works right.

third party infringers, but she may find her rights undercut by the holder of the reproduction right, who might exploit derivative works rights, for example machine translations, for which it neither negotiated nor paid.

We reiterate that these above-described problems are precisely why we have—at multiple times in the development of this project—urged the Reporters and the ALI Council to consider an alternative format for restating copyright law, one that would show greater fidelity to the centrality of the statutory text and acknowledge the role of interpretation in courts’ exposition of copyright rules. That plea has, of course, been consistently ignored.

2. Legislative History

PD9 also fails to credit the legislative history accompanying the statute’s treatment of the derivative works right. The issue surrounding the requirement of originality for a §106(2) violation (as opposed to whether copyright subsists in a derivative work), emanating from the statute’s use/omission of originality in the definition of a derivative work, is a paradigmatic instance of ambiguity. And when faced with ambiguity in interpreting a provision, another longstanding rule of statutory interpretation urges reference to the provision’s legislative history to “clear up” such ambiguity. *See Milner v. Dep’t of Navy*, 562 U.S. 562, 574 (2011). This is precisely what the Supreme Court did in the *Warhol* case to reconcile the right to prepare derivative works and the fair use provision.

The legislative history surrounding the Copyright Act of 1976 offers two important clues to the construction of the definition.

First, at multiple times in the development of §106, the legislative history is unambiguous that the overarching goal behind the text was to state the rights “in broad terms.” This reference to “broad” terms is not a one-off reference, but is a consistent refrain seen in multiple parts of the legislative history and thus clearly reflective of Congress’s intent on how the provision was to be construed. *Copyright Law Revision, Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law*, 89th Cong., 1st Sess. (Comm. Print 1965) (hereinafter “Supplementary Report”), at 13-16; H.R. Rep. 94-1476, at 61 (1976). Consequently, when presented with competing constructions of a §106 right, a broad one and a narrow one, the legislative history clearly counsels in favor of adopting the former. Yet, PD9 pushes a “narrow” one. PD9, at 9. And it does so without addressing how its choice departs from legislative intent.

Second, the legislative history of §106(2) reveals how Congress understood the scope and working of that right. In describing the scope of that right and its potential overlap with the reproduction right in §106(1), the legislative history explains that the derivative works right “is broader than that right, however, in the sense that reproduction requires fixation in copies or phonorecords, whereas the preparation of a derivative work, such as a ballet, pantomime, or improvised performance, may be an infringement even though nothing is ever fixed in tangible form.” H.R. Rep. No. 1476, 94th Cong., 2d Sess. 62 (1976); S. Rep. No. 473, 94th Cong., 1st Sess. 58 (1975). Congress here unequivocally recognized that the term “derivative work” would mean something different for infringement and protectability. For protectability, fixation is necessary, failing which there simply is no work. Yet for infringement, that requirement was expressly deemed unnecessary so to afford stronger protection under §106(2). To adopt a unified meaning for both contexts, as PD9 does, would mean that fixation is needed for infringement of §106(2) as well. PD9 is willing to adopt a dual-meaning for a derivative work in relation to fixation, *see* PD9, at 12-13, but is unwilling to do so for originality. PD9, however, offers no reason (other than its

general desire to “narrow” the scope of the right) for its pick-and-choose approach to infringement of the derivative works right.

The very next sentence of the relevant legislative history clarifies the point even further, noting that “[t]o be an infringement the ‘derivative work’ must be ‘based upon the copyrighted work,’ and the definition in section 101 refers to ‘a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, condensation, or any other form in which a work may be recast, transformed, or adapted.’” H.R. Rep. 94-1476, at 62. At first glance, this sentence may appear unexceptional. On closer scrutiny, it reveals much in its omission. Notice that it does not reference the second sentence of the definition, and the categories referenced in that second sentence which the definition classifies as an “original” work of authorship. In thus limiting itself to the first sentence to describe the working of the derivative works right, the legislative history therefore lends crucial support to the reading offered previously, namely that the categories in the first sentence (e.g., “art reproduction”) do not come with an originality pre-requisite, unlike those in the second sentence.

* * *

Even if the attempt to narrow the scope of the derivative works right is merely a reflection of the Reporters’ choice of normative position among conflicting authorities, PD9’s singular failure to engage the text and legislative history of the relevant statutory provision risk confusing courts in an already complex terrain. If the Restatement here is attempting to “clarify” the law, it has failed.

B. The Scope of the “Derivative Work” Definition and the “Derivative Work” Right

PD9 Comment *b* provides a selective view of the evolution of the derivative works right that overlooks the most important aspect: how the drafters of the 1976 Act intended for the derivative works right to be interpreted. The Restatement should discuss how the drafters viewed derivative works and the associated exclusive right.

1. Statutory Text

Especially in view of technological advances since passage of the 1976 Act, it is important for the Restatement to emphasize that the scope of the derivative work right is broad. The Copyright Act states that a “‘derivative work’ is a work based upon one or more preexisting works, *such as* a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, *or any other form* in which a work may be recast, transformed, or adapted.” 17 U.S.C. § 101 (first sentence of definition of “derivative work”) (emphasis supplied). Section 101 further notes that “[t]he terms ‘including’ and ‘such as’ are illustrative and not limitative.”

2. Legislative History

Copyright reform appeared to be on track for completion in the mid-1960s. The Copyright Office issued a comprehensive “*Supplementary Report*” in May of that year setting forth the Register’s “reasons for changing a number of the recommendations in the 1961 Report and to

clarify the meaning of the provisions of the copyright law revision bill of 1965.” Supplementary Report, at VIII (Transmittal Letter). Register Kaminstein, whose tenure spanned both reports, explained in his transmittal letter that:

The *Supplementary Report* represents an effort to state, as frankly as we can, the thinking behind the language of the 1965 bill and, in many cases, the arguments for and against particular provisions. We also point to language in the 1965 bill which requires further study, and it should be clear that we envisage the possibility of amendments as the legislative inquiry proceeds. What success the revision program has achieved so far is the result of a willingness on the part of a number of people to enter into a continuing dialog in which alternative solutions were scrutinized and debated. A decade of this kind of thorough exploration has convinced me that, while the problems in copyright law revision have no simple or ineluctable solutions, none of them are irreconcilable.

Id. The 1965 Bill’s definition of “derivative work” and exclusive right to prepare derivative works appear in the 1976 Act nearly verbatim.

As the copyright reform process appeared to be nearing completion in the mid-1960s, an impasse emerged over how to treat the retransmission of television broadcasts through community antenna (or cable) television (CATV). New community-based organizations were setting up large antennas for capturing broadcast signals and then retransmitting via cable to far-flung rural customers. This technology was barely a blip on the radar at the outset of the copyright revision process, but was rapidly expanding. Broadcasters opposed free retransmission of their signals. A range of cable entrepreneurs sought to augment the broadcast channels. This complex new industry froze copyright reform in suspended animation for the next decade as the Copyright Office and legislators sought to bring the broadcast and cable industries into agreement on how to handle this new form of dissemination. After a hard-fought compromise over a compulsory license for cable television—resulting in some of the lengthiest and most detailed provisions of the Copyright Act, see 17 U.S.C. §§111, 119, 122—and the crafting of a statutory limitation authorizing library photocopying, copyright reform picked up largely where it had left off in 1965. The derivative work definition and right set forth in the 1965 Bill were enacted nearly verbatim.

Thus, the *Supplementary Report* contains a trove of insight into the drafters’ intent in legislating the exclusive rights. We quote this language at length because we believe that this part of the legislative history provides valuable insight into the meaning of the statutory text and yet this vital material has been overlooked by the Reporters.

Chapter 2 of the *Supplementary Report*, relating to the exclusive rights, begins by describing the “Basic Approach of the Bill,” which highlights the challenge of drafting legislation that will need to apply to emerging technologies:

It is hard to predict which provisions of the bill will ultimately be most significant in the development of the copyright law, but on the basis of our discussions there is no question as to which group of sections is most important to the interests immediately affected. The nine sections setting forth the scope and limitations on the exclusive rights of copyright owners represent a whole series of direct points of conflict between authors . . . on the one side, and users, both commercial and noncommercial, on the other. Moreover, of the many problems dealt with in the bill, those covered by the

exclusive rights sections are most affected by *advancing technology* in all fields of communications, including a number of future developments that can only be speculated about. It is not surprising, therefore, that these sections proved extremely controversial and difficult to draft.

In a narrow view, all of the author's exclusive rights translate into money: whether [the author] should be paid for a particular use or whether it should be free. But it would be a serious mistake to think of these issues solely in terms of who has to pay and how much. *The basic legislative problem is to insure that the copyright law provides the necessary monetary incentives to write, produce, publish, and disseminate creative works, while at the same time guarding against the danger that these works will not be disseminated and used as fully as they should because of copyright restrictions. The problem of balancing existing interests is delicate enough, but the bill must do something even more difficult. It must try to foresee and take account of changes in the forms of use and the relative importance of the competing interests in the years to come, and it must attempt to balance them fairly in a way that carries out the basic constitutional purpose of the copyright law.*

Obviously no one can foresee accurately and in detail the evolving patterns in the ways author's works will reach the public 10, 20, or 50 years from now. Lacking that kind of foresight, the bill should, we believe, adopt a general approach aimed providing compensation to the author for future as well as present uses of [the] work that materially affect the value of [the] copyright. . . . *A real danger to be guarded against is that of confining the scope of an author's rights on the basis of the present technology so that, as the years go by, [the] copyrights loses much of its value because of unforeseen technical advances.*

For these reasons, we believe that the author's rights should be stated in *broad terms* and that *the specific limitations on them should not go any further than is shown to be necessary in the public interest. In our opinion it is generally true, as the authors and other copyright owners argue, that if an exclusive right exists under the statute a reasonable bargain for its use will be reached; copyright owners do not seek to price themselves out of a market. But if the right is denied by the statute, the result in many cases would simply be a free ride at the author's expense.*

We are entirely sympathetic with the aims of nonprofit users, such as teachers, librarians, and educational broadcasters, who seek to advance learning and culture by bringing the works of authors to students, scholars, and the general public. Their use of new devices for this purpose should be encouraged. It has already become clear, however, that the unrestrained use of photocopying, recording, and other devices for the reproduction of authors' works, going far beyond the recognized limits of "fair use," may severely curtail the copyright owner's market for copies of his work. Likewise, it is becoming increasingly apparent that the transmission of works by nonprofit broadcasting, linked computers, and other new media of communication, may soon be among the most important means of disseminating them, and will be capable of reaching vast audiences. Even when these new media are not operated for profit, they may be expected to displace the demand for authors' works by other users from whom copyright owners derive compensation. Reasonable adjustments between the legitimate interests of copyright owners and those of certain nonprofit users are no

doubt necessary, but we believe the day is past when any particular use of works should be exempted for the sole reason that it is ‘not for profit.’

As possible methods of solving the practical difficulties of clearance with respect to both commercial and noncommercial uses, various suggestions have been advanced for voluntary clearinghouses or for systems of compulsory licensing under the statute. All of these suggestions deserve consideration, but we are inclined to doubt the present need to impose a statutory licensing system upon the exercise of any of these rights. We believe that the work already in progress toward developing a clearinghouse to license photocopying offers the basis for a workable solution of that problem, and, if found necessary, could be expanded to cover other uses.

Supplementary Report, at 13-14 (emphasis added).

The drafters are notably direct and transparent regarding their approach in drafting the exclusive rights. As the highlighted text makes clear, the drafters weighed competing arguments about how copyright law can best promote progress in the face of evolving technology and concluded that authors’ rights should be interpreted in such a way as to ensure that unforeseen technological changes would not undermine the value of copyrighted works. Furthermore, the drafters directly confronted the need for limitations and the role of licensing in promoting progress. The drafters state that exclusive rights are intended to be read “in broad terms” and their belief that copyright owners and users would reach a reasonable bargain where there are gains from trade in most circumstances, and failure to protect rights adequately would result in free riding at the author’s expense. We recognize that each of these principles have been questioned in copyright scholarship, but it is important nonetheless not to lose sight of the tenets on which the drafters based the statutory text.

The next section of the Supplementary Report describes the exclusive rights. After quoting §106, the drafters explain the general scope of copyright protection and the interplay of the exclusive rights:

Copyright has often been called a bundle of rights, and the five clauses of section 106(a) represent a general statement of what that bundle would consist of under the bill. These rights are cumulative and to some extent overlapping: for example, the preparation of a derivative work would usually also involve its reproduction, and hence the reproduction of the basic work, in copies or phonorecords. The rights as stated may also be subdivided without limitation, and each of the subdivided rights may be owned and enforced separately, as explained further in chapter 3.

It is vital to an understanding of the bill to note that all of the exclusive rights specified in section 106 are ‘[s]ubject to sections 107 through 114,’ and to realize that all of these sections provide limitations, qualifications, or outright exceptions with respect to the copyright owner’s exclusive rights. Section 106 is intended to mark out the perimeter of copyright in *broad terms*, and the remaining sections in the chapter are intended to define its scope in particular situations and for particular kinds of works. . . .

Id. at 15-16 (emphasis added). We see yet again the drafters’ characterization of the exclusive rights as broad, subject to sections 107 through 114.

The *Supplementary Report* then fleshes out each of the exclusive rights. It has this to say about the right to prepare derivative works:

It could be argued that, since the concept of ‘reproduction’ is broad enough to include adaptations and recast versions of all kinds, there is no need to specify a separate right ‘to prepare derivative works based upon the copyrighted work.’ As indicated in the 1961 Report, however, this has long been looked upon as a separate exclusive right, and to omit any specific mention of it would be likely to cause uncertainty and misunderstanding. We have therefore included it as clause (2) of section 106(a).

Moreover, there is one area in which the right ‘to prepare derivative works’ may be broader than the rights specified in clause (1). Those rights are limited to reproduction in copies and phonorecords and it is possible for a ‘derivative work,’ based on a copyrighted work, to be prepared without being fixed in a copy or record: examples are ballets, pantomimes, and impromptu performances. It is true that a derivative work would not itself be protected by statutory copyright if it were not fixed in a ‘tangible medium of expression’ as required by section 102 of the bill. Nevertheless, since there is no requirement under the definition in section 101 that a ‘derivative work’ be fixed in tangible form, clause (2) of section 106(a) would make the preparation of ‘derivative works’ an infringement whether or not any copies or phonorecords had been produced.

To come within section 106(a) (2) the ‘derivative work’ must be ‘based upon the copyrighted work,’ and the definition in section 101 gives as examples of ‘derivative works’: ‘ . . . a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted.’ Hence, in order to violate clause (2), some copyrighted portion of the work must actually have been appropriated as a basis for the infringing work. It would normally not be infringement, for example, for a critic to write a detailed commentary on the work or for an artist to draw illustrations inspired by a textual description.

Close questions can arise as to whether the preparation of material such as *indexes*, tests, answers to tests, study guides, work sheets, etc., constitutes an infringement of the work to which they are related. In some cases the dependence on the copyrighted source may be so great as to constitute infringement, and in others the only things taken may be uncopyrightable elements such as ideas or isolated facts. We believe that the definition of ‘derivative work’ is *broad* enough to cover those works that appropriately come within the concept, and that the application of the definition in borderline situations of this sort must be left to the courts.

Id. at 17-18 (emphasis added). The *Supplementary Report* thus reinforces the breadth of the right to prepare derivative right. This contemporaneous explanation of the rationale for the statutory text informs its interpretation.

II. Fair Use

We find PD9’s handling of the fair use provision and doctrine to be inaccurate. We also believe that it omits important background that is critical for understanding and applying the fair use doctrine.

A. PD9’s Characterization of the Warhol Decision

We agree with Judge Leval’s criticism of §6.12 in PD9. As his comments note, PD9 adopts a very narrow reading of the majority’s opinion in *AWF v. Goldsmith* (hereinafter *Warhol*), thereby effectively adopting the construction of fair use from Justice Kagan’s dissent. See Leval Comments on PD9, at 4.⁵ PD9’s treatment of fair use and its interpretation of *Warhol* and *Campbell* is also erroneous in another respect: its attempt to introduce the idea of direct competition into fair use, a reading that is not supported by precedent or the logic of fair use.

After quoting from *Warhol*’s language that transformativeness requires examining the extent to which the use has a purpose and character “different from the original,” PD9 proceeds to make the unsubstantiated observation that “[i]t is important to connect the degree of transformation with the concern as to whether the defendant’s allegedly infringing use *competes* with the plaintiff.” PD9, at 40. It then reads the Court’s emphasis on “different purpose” as a stand-in for “direct licensing competition” and “direct competition between the two works for specific commercial licensing opportunities.” *Id.* at 40.⁶ This reading flies in the face of how the first fair use factor has long been understood, including in *Campbell* and *Warhol*.

To be clear, in the facts of *Warhol* the Court did recognize that the plaintiff and defendant were engaged in the same use, i.e., commercial licensing, of the work, which led it to conclude that the alleged fair use did not evince a different purpose or character from that of the copyright owner’s use. *Warhol*, 143 S. Ct. at 1279. All the same, different purpose is not the same as proof of competition, which PD9 effectively asks for. Consider the common unexceptional scenario where a photograph that is created by an individual for an entirely personal purpose is then copied and used identically by a defendant in a commercially marketed piece of art. To ask whether the defendant’s use is in “competition” with the plaintiff’s in order to address the first fair use factor, as PD9 suggests, would in effect immunize such defendants’ behavior by allowing them to simply point to the plaintiff’s non-commercial purpose and contrast it to their own commercial one. Even a rudimentary reading of *Warhol* should make clear that this could not have been the goal of the Court. Indeed, to emphasize “competition” as the hallmark of the first factor would collapse the first and fourth fair use factor, since direct competition is often an empirical question that looks to the cross-elasticity of demand, something that the fourth factor directly addresses in its examination of the “potential market.” 17 U.S.C. §107(4).

Instead, the *Warhol* opinion was careful to avoid collapsing its “different purpose” inquiry into a competition or relevant-market one. And it did so by emphasizing the centrality of purpose,

⁵ We also agree with Judge Leval that PD9 inappropriately generalizes precepts from *Google v Oracle*, ignoring the highly specific nature of the plaintiff’s work: functional computer code essential to interoperability, and the Court’s own caution that the case involved a work “far from the core of copyright.” Leval Comments on PD9, at 3-4.

⁶ PD9 also notes that “a court analyzing the first statutory factor might strike the balance differently if the evidence does not suggest the same sort of direct competition for a particular use, or if the defendant’s transformation of the plaintiff’s work gives the defendant’s work a purpose or character sufficiently distinct from the plaintiff’s such that they are unlikely to compete for a particular use.” PD9, at 41.

and for which it adopted the “can be reasonably perceived” standard. It could not have been more unequivocal on this, when it noted in elaborate detail:

While the first factor considers whether and to what extent an original work and secondary use have substitutable purposes, the fourth factor focuses on actual or potential market substitution. Under both factors, the analysis here might be different if Orange Prince appeared in an art magazine alongside an article about Warhol. . . . [T]he dissent fumbles the relationship between the first and fourth fair use factors. Under today's decision, as before, the first factor does not ask whether a secondary use causes a copyright owner economic harm. . . . There is, however, a positive association between the two factors: A secondary use that is more different in purpose and character is less likely to usurp demand for the original work or its derivatives. . . . This relationship should be fairly obvious. *Still, the relationship is not absolute.* For example, copies for classroom use might fulfill demand for an original work. The first factor may still favor the copyist, even if the fourth factor is shown not to. At the same time, other forms of straight copying may be fair if a strong showing on the fourth factor outweighs a weak showing on the first.

Warhol, 143 S. Ct. at 1279 n.12 (emphasis supplied).

Warhol thus emphasized the substitutability of purpose, which is a far cry from an emphasis on competition as the touchstone of the first factor. PD9’s attempt to characterize a different purpose in terms of direct competition renders the relationship between purpose and market effect “absolute”, precisely along the lines that the Court expressly disavowed in *Warhol*, and which it saw the dissent as adopting. Indeed, PD9’s adoption of this position reaffirms Judge Leval’s observation in his comments that PD9 “validate[s] the ruling advocated by the *Warhol* dissent.” Leval Comments on PD9, at 4.

PD9 allows the idea of competition to permeate its entire discussion of the first fair use factor as construed by *Warhol*. This is most obvious in its conclusion on the point:

In short, the *Warhol* opinion suggests that the touchstone of the analysis under the first statutory factor is the competition created by the particular use at issue—i.e., whether the alleged infringing use substitutes for the plaintiff’s work, particularly in a commercial context, or whether, instead, the defendant’s work adds something new such that it has a different purpose or character, and, as a consequence, the alleged infringing use of that work is unlikely either to serve as a substitute for the plaintiff’s work, or (derivatively) diminish the plaintiff’s incentive to create.

PD9, at 46.

Again, this observation is erroneous and is unworkable as a rule or principle. Returning to our prior illustration makes the point obvious. Consider a privately taken photograph (e.g., a family portrait) that is produced for an entirely personal and non-commercial purpose and shared exclusively with members of a family. A defendant’s copying of such a photograph in its creation of a large-scale piece of commercial art *will not* qualify as evincing a transformative purpose under *Warhol* simply because it is unlikely to “serve as a substitute” for the original (i.e., no family

member will want the commercial art) or “diminish the plaintiff’s incentive to create” (i.e., it was created for a non-market purpose to begin with). In PD9’s reading, only commercially-motivated works will come out ahead under the first fair use factor, which flies in the face of *Warhol*, *Campbell*, and Congress’s clear intent behind §107.

We also echo Judge Leval’s observations that both *Campbell* and *Warhol* emphasized the need for an independent “justification” before reaching the issue of transformativeness in the first fair use factor. Leval Comments on PD9, at 1-2. *Campbell* was categorical that the “claim to fairness” underlying fair use was dependent on the “justification” offered for the copying, which is closely connected to—but analytically independent from—the transformativeness of the use so justified. *Campbell*, 510 U.S. at 580. Indeed, it was for this reason that *Campbell* differentiated between a parody and a satire. The Court in *Warhol* affirmed this requirement in observing the need for a putative fair use to explain why it was “target[ing] an original work.” *Warhol*, 143 S. Ct. at 1276. PD9 makes no mention of this all-important question.

In summary then, PD9’s discussion of the fair use doctrine is based on a misreading and mischaracterization of the Court’s precedents in *Campbell* and *Warhol*, and seeks to introduce into the analysis ideas and concepts that would only serve to narrow the working of copyright’s exclusive rights. While this may be a defensible normative project, it is not one that is in any sense a “restatement” of the current law.

B. Providing Historical Background and Legislative History on the Fair Use Doctrine

Just as the Reporters included a discussion of the evolution of the derivative works right, we think that it would be useful to provide background on the evolution of the fair use doctrine with particular emphasis on the how legislators came to incorporate it into the 1976 Act. We suggest adding a comment summarizing that background. It might incorporate some/all of what we include below:

In 1841, Justice Joseph Story observed that “the question of piracy” often depends upon a balance of factors, giving rise to the fair use doctrine. *Folsom v. Marsh*, 9 F. Cas. 342, 344 (C.C.D. Mass. 1841) (Story, J.). Courts evolved the fair use doctrine through hundreds of published opinions in the ensuing decades. The 1909 Act intentionally left the contours of infringement and fair use to the courts. See Alan Latman, *Fair Use of Copyrighted Works* 18 (1958), reprinted in Senate Committee on the Judiciary, *Copyright Law Revision, Studies Prepared for the Subcommittee on Patents, Trademarks, and Copyrights*, 86th Cong., 2d Sess., 1 (1960) (hereinafter cited as “Fair Use Report”).

The Copyright Office identified the fair use doctrine as one of the key areas for study in advance of the drafting process. The *Fair Use Report* began by noting how the courts had “grappled with the problem of fair use without the aid of any specific statutory guide.” It then summarized the jurisprudence, identifying eight principal contexts in which courts had recognized fair use: (1) incidental use; (2) review and criticism; (3) parody and burlesque; (4) scholarly works and compilations; (5) personal or private use; (6) news; (7) use in litigation; and (8) use for nonprofit or governmental purpose. See *id.* at 8-14. It then explored fair use criteria, acknowledging “widespread agreement” that “it is not easy to decide what is and what is not a fair use.” See *id.* at 14 (quoting Cohen, *Fair Use in the Law of Copyright*, 6 ASCAP Copyright L. Sym. 43, 52 (1955)). Nonetheless, drawing on Justice Joseph Story’s oft-quoted criteria in *Folsom v. Marsh*, contemporary decisions, copyright scholarship, draft bills, foreign legislation, and international conventions, the *Fair Use Report* offered some general guideposts. See *Fair Use*

Report, at 15-32. The Report concluded with options for the legislative drafters, ranging from merely recognizing the fair use doctrine and leaving its definition to the courts to specifying general criteria. The appendix to the report contained comments by leading scholars and practitioners split on which path to follow.

In its initial proposal, the Register of Copyrights channeled the *Fair Use Report's* key observations:

The general scope of fair use can be indicated by the following examples of the uses that may be permitted under that concept:

- Quotation of excerpts in a review or criticism for purposes of illustration or comment.
- Quotation of short passages in a scholarly or technical work, for illustration or clarification of the author's observations.
- Use in a parody of some of the content of the work parodied.
- Summary of an address or article, with brief quotations, in a news report.
- Reproduction by a library of a portion of a work to replace part of a damaged copy.
- Reproduction by a teacher or student of a small part of a work to illustration.
- Reproduction of a work in legislative or judicial proceedings or reports.
- Incidental and fortuitous reproduction, in a newsreel or broadcast, of a work located in the scene of an event being reported.

Whether any particular use of a copyrighted work constitutes a fair use rather than an infringement of copyright has been said to depend upon (1) the purpose of the use, (2) the nature of the copyrighted work, (3) the amount and substantiality of the materials used in relation to the copyrighted work as a whole, and (4) the effect of the use on the copyright owner's potential market for his work. These criteria are interrelated and their relative significance may vary, but the fourth one—the competitive character of the use—is often the most decisive.

See Copyright Law Revision, Report of Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong., 1st Sess. at 24-25 (July 1961) (hereinafter cited as "Register's Report"). The Register recommended that "[t]he statute should include a provision affirming and indicating the scope of the principle that fair use does not infringe the copyright owner's rights." *Id.* at 25.

By 1966, a compromise between publishers and educators resulted in agreement on many aspects of the 1976 Act formulation of the fair use provision. *See* Copyright Law Reform, House of Representatives, 89th Sess., 2d Sess., Report No. 2237 (Oct. 12, 1966) (accompanying H.R. 4347). The copyright reform effort stalled over the next several years. The effort picked up again in 1973 with reintroduction of legislation containing the same fair use provision as the 1966 Bill. *See* S.1361, 93d Cong., 1st Sess. (Mar. 26, 1973).

Over the following three years, Congress made several adjustments to the fair use provision. It qualified the "teaching" in the fair use preamble by adding "(including multiple copies for classroom use)" and inserting into the first fair use factor: "including whether such use is of a commercial nature or is for nonprofit educational purposes." *See* Copyright Law Revision, H.R. Rep. No. 94-1476, at 5 (1976). The House Report on the enacted legislation reinforces the statutory text in various ways. It notes that "[t]he examples enumerated at page 24 of the Register's 1961 Report, while by no means exhaustive, give some idea of the sort of activities the courts might

regard as fair use under the circumstances.” *Id.* at 65 (quoting the full list from the Register’s 1961 Report). It then explains the commerciality language added to the first fair use factor:

The Committee has amended the first of the criteria to be considered ‘the purpose and character of the use’—to state explicitly that this factor includes a consideration of ‘whether such use is of a commercial nature or is for non-profit educational purposes.’ This amendment is not intended to be interpreted as any sort of not-for-profit limitation on educational uses of copyrighted works. It is an express recognition that, as under the present law, the commercial or non-profit character of an activity, while not conclusive with respect to fair use, can and should be weighed along with other factors in fair use decisions.

Id. at 66. The House Report then explains the “general intention” behind § 107:

[T]he endless variety of situations and combinations of circumstances that can [a]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. *Section 107 is intended to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way.*

Id. (emphasis added).

Thus, the drafting of the fair use provision, which unfolded over nearly two decades, culminated close to where it began. The 1976 legislators channeled the relatively narrow examples that Register Abraham Kaminstein referenced in 1961, which were summarized in the preamble. Although Congress expressed the intention to perpetuate the doctrine’s case-by-case and common law character and not to “freeze” its development, the main thrust of the provision was to restate the fair use doctrine without any intention in the text or the legislative history to alter the doctrine beyond ensuring that it could address unforeseen technological developments and address “particular situations on a case-by-case basis.”

C. Recognition of Overruled Case Law

The Supreme Court’s *Warhol* decision shifted fair use analysis back to the course that Congress intended. It is important to recognize many cases decided during the interim period that boil fair use analysis down to a mere transformativeness inquiry are no longer good law. In particular, the *Cariou* decision, which itself developed a significant following, is no longer authoritative. *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013). Courts should be advised to be cautious about relying on post-*Campbell* cases that fail to adhere to its and *Warhol*’s teachings. The Restatement should emphasize the much more nuanced role for transformativeness in the first fair use factor balance—requiring more than mere conferral of “new meaning or message,” and balancing the extent of transformativeness against commerciality—and the need to consider all of the factors.

D. Fair Use as an Affirmative Defense (§7.05)

While our comments do not address Chapters 7 and 8 in general, we are compelled to call attention to §7.05(b) and Comment *f.*'s striking refusal to treat fair use as an affirmative defense.

After listing affirmative defenses in §7.05(a), PD9 makes the slippery statement in §7.05(b) that “[a] defendant may assert as a defense that the defendant’s use is a fair use . . .”. PD9, at 98. And Comment *f.* strives mightily to demonstrate that fair use is not in fact an affirmative defense. Comment *f.*'s reluctant acknowledgement that “courts have generally treated the fair use as an affirmative defense that a defendant must assert and on which a defendant bears the burden of proof,” PD9, at 107, vastly understates the positive law. Not only has the Supreme Court repeatedly characterized fair use as an affirmative defense (most recently in *Warhol*, 143 S.Ct. at 1285 n.21), but the Ninth Circuit too in *Dr. Seuss Ents. v. Comicmix*, 983 F.3d 443, 459 (9th Cir. 2020) (a decision not cited in Comment *f.*) unmistakably declared: “Not much about the fair use doctrine lends itself to absolute statements, but the Supreme Court and our circuit have unequivocally placed the burden of proof on the proponent of the affirmative defense of fair use.”

Despite these authorities, PD9 urges the contrary:

If the parties do not dispute the historical facts but disagree on whether the defendant’s activities meet the legal standard to be a fair use, it would be inappropriate for a court to rule against the defendant on the grounds that the defendant has failed to carry the defendant’s burden of persuasion.

PD9, at 108.

This is simply saying that defendant does not bear that burden. But if the parties “disagree on whether the defendant’s activities meet the legal standard to be a fair use,” the role of an affirmative defense is to require the defendant to prove that that standard has been met. *Id.* PD 9’s treatment of fair use as an affirmative defense is, regrettably, fully consistent with the draft’s adoption of an extremely expansive approach to fair use, in contradiction with the positive law, as Judge Leval’s comments trenchantly demonstrate.