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Examining the Seventh Circuit's Repudiation of the Transformative Fair Use Analysis: Kienitz v. Sconnie Nation, LLC

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EXAMINING THE SEVENTH CIRCUIT'S REPUDIATION OF THE TRANSFORMATIVE FAIR USE ANALYSIS: KIENITZ V. SCONNIE NATION, LLC.

I. INTRODUCTION

Fair use is often regarded as an inconsistent doctrine because although it is significant to United States copyright law, there are many elements of the fair use analysis that are greatly disputed. Fair use has been unpredictable and varied in its application among the circuits. As technology continues to advance, new innovation increasingly necessitates the reimagining and reinterpretation of what is copyrightable. To this end, and to help enhance the predictability of fair use analysis in future jurisprudence, it is important to have a national standard grounded in Supreme Court precedent.

This article argues that although *Kienitz v. Sconnie Nation, LLC* was correctly decided, the rationale of the opinion is flawed and does not serve to clarify the confusion regarding the fair use analysis going forward. In Section II, this article will review the background of fair use, from its common law origins to its codification, and will address informative case law. In Section III, this article will argue that the *Kienitz* opinion is incorrect in its assertion that the "transformative use" analysis will impinge on the protected right of derivative works because the rise of transformative use analysis can be understood as an outcome of Congressional desire to craft a broad fair use statute that would allow judges case-by-case discretion. Furthermore, the section argues that the *Kienitz* opinion is flawed for favoring the market effect factor over the transformative use factor because of the inherent flaws in the market effect analysis. Section IV discusses the future implications of the *Kienitz v. Sconnie Nation, LLC* decision on fair use jurisprudence, both within and outside the Seventh Circuit Court of Appeals, before concluding the overall discussion.

II. BACKGROUND

One perspective promulgated by legal scholars is that the fundamental impetus of American copyright law is utilitarianism.[1] Under utilitarian theory, copyright law grants exclusive rights for a limited amount of time to authors as an incentive to create works for the benefit of society.[2] Without guaranteed rights in their creative production, authors would face the problem of free riding, effectively preventing them from profiting from their own works.[3] The utilitarian theory is reflected in the Copyright Clause of the Constitution, which allows Congress to give authors and creators exclusive rights to their works in order to "...promote the Progress of Science and useful Arts."[4] The Copyright Clause, however, necessitates limitations on the rights provided to authors.[5] In order to balance the interests of promoting the public welfare without diminishing the incentive to create,[6] copyright law excuses a specific subset of third-party unauthorized use of copyrighted works as "fair use."[7] The fair use doctrine is a practical doctrine because it serves to promote continuous creation; however, a use is not fair if it significantly weakens the value of the original copyrighted work.[8]

Fair use has an important and lengthy history in American copyright jurisprudence. Fair use originally existed as part of judge-made common law, but the factors that are recognizable

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[1] William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD. 325, 326 (1989).

[2] *See* Harper & Row, Publishers, Inc. v. Nation Enter's, 471 U.S. 539, 558 (1985) ("By establishing a marketable right to the use of one's expression, copyright supplies the economic incentive to create and disseminate ideas.").

[3] Jeanne C. Fromer, *Market Effects Bearing on Fair Use*, 90 WASH. L. REV. 615, 620 (2015).

[4] U.S. CONST. art. 1, § 8, cl. 8.

[5] Mark A. Lemley, *The Economics of Improvement in Intellectual Property Law*, 75 TEX. L. REV. 989, 997, 1014 (1997).

[6] Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) ("The immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good. . . the Copyright Act must be construed in light of this basic purpose.")

[7] 17 U.S.C. § 107 (2012).

[8] *See generally* Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 576 (1994).

today were first outlined by Justice Story in 1841,[9] and evolved into the statutory factors codified into the Copyright Act of 1976.[10] The non-exclusive factors considered in the fair use analysis are:

(1) The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
(2) The nature of the copyrighted work;
(3) The amount and substantiality of the portion used in relation to the copyrighted work as a whole;
(4) The effect of the use upon the potential market for or value of the copyrighted work.[11]

The legislative history of the fair use defense highlights the intent of Congress that "there is no disposition to freeze the doctrine in the statute,"[12] showing that fair use is meant to be a flexible analysis adaptive to many scenarios. Congressional records underscore that "beyond the 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."[13] After fair use was codified in the Copyright Act of 1976, judges nonetheless continued to face many uncertainties about how to approach the fair use analysis.[14]

In the early 1980s, the Supreme Court first addressed fair use with regard to commercial uses, affirming in two decisions that commercial uses are considered presumptively unfair.[15] Soon after, the Supreme Court bolstered this presumption by

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[9] Folsom v. Marsh, 9 F. Cas. 342 (Mass. Cir. Ct. 1841). Justice Story outlined the fair use factors that have grown into the specific four that were codified in 1976.
[10] 17 U.S.C. § 107 (2012).
[11] *Id.*
[12] H.R. REP. NO. 94-1476, at 66 (1976).
[13] *Id.*
[14] Pierre N. Leval, *Toward A Fair Use Standard*, 103 HARV. L. REV. 1105, 1106 (1990).
[15] *See* Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 451 (1984) ("[E]very commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright."); *see also* Harper & Row Publishers, Inc. v. Nation Ents., 471 U.S. 539, 562 (1985).

emphasizing the fourth fair use factor, the "market effect" of the infringement, as the most important factor.[16] As a result, it would be difficult for any commercial use to successfully claim the fair use defense under a market-centered paradigm of the fair use analysis where all commercial use is immediately suspect.[17]

The publication of an influential law review article by Pierre N. Leval,[18] and the United States Supreme Court decision in *Campbell v. Acuff-Rose Music, Inc.*,[19] launched a new paradigm for understanding fair use jurisprudence. The *Campbell* decision held that in conducting the fair use analysis, the first factor should be utilized to determine if a new use is transformative, and the degree to which the challenged work is transformed from the original copyrighted work.[20] The Supreme Court also reconsidered its position in the *Sony* decision that commercial uses should be considered presumptively unfair,[21] and went on to strengthen the first factor of the analysis by holding that the more transformative the new work, the less the other factors, like commercialism, may weigh against a finding of fair use.[22] *Campbell* also reaffirmed the Supreme Court's position that the fair use factors are analyzed under fact-intensive inquiries and should be considered together and evaluated on a case-by-case basis without any bright line rules.[23]

A. Cariou v. Prince - Background and Decision

In 2000, photographer Patrick Cariou published a book of portraits and landscape photographs called *Yes Rasta*.[24] The

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[16] *See generally Harper & Row*, 471 U.S. 539.

[17] Neil Weinstock Netanel, *Making Sense of Fair Use*, 15 LEWIS & CLARK L. REV. 715, 722 (2011) (commenting that under market-centered fair use analysis it was "very unlikely that any use deemed 'commercial' would also qualify as fair use.").

[18] Leval, *supra* note 14.

[19] Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 569 (1994).

[20] *Id.*

[21] *See id.* at 594 ("It was error for the Court of Appeals to conclude that the commercial nature of 2 Live Crew's parody of 'Oh, Pretty Woman' rendered it presumptively unfair.").

[22] *Id.* at 569.

[23] *Id.* at 577 (citing *Harper & Row*, 471 U.S. at 560).

[24] Cariou v. Prince, 714 F.3d 694, 698 (2d Cir. 2013).

images in the book were photographs taken by Cariou over a period of six years that he spent living with the Rastafarian people of Jamaica.[25] Richard Prince, an appropriation artist,[26] altered and then integrated several of Cariou's photographs from *Yes Rasta* into a series of works Prince called *Canal Zone* that was later exhibited in 2007 and 2008 in two galleries.[27] Cariou sued Prince and Gagosian Gallery, and argued that Prince infringed his copyrights in the published photographs.[28]

Prince countered that his series of artworks were fair use, but in ruling on summary judgment, the United States District Court for the Southern District of New York held that in order to satisfy the transformative nature of the first fair use factor the new work had to "comment on, relate to the historical context of, or critical refer back to the original works."[29] Prince's deposition reflected that he did not intend to comment on Cariou or his work, and that he had no interest in what Cariou's original intent was for the *Yes Rasta* photographs.[30] Relying heavily on the artist's statements, the district court rejected Prince's fair use defense and granted Cariou injunctive relief, ordering Prince to deliver all infringing materials to Cariou.[31]

The Second Circuit reversed in part and reviewed the district court's grant of summary judgment on a de novo basis.[32] The Second Circuit held that the district court applied an incorrect standard while determining whether Prince's use of Cariou's photographs was a fair use.[33] The Second Circuit went on to clarify that the "law imposes no requirement that a work comment on the original or its author in order to be transformative. . ."[34] The Second Circuit also noted that the United States Supreme

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[25] *Id.*
[26] *Id.* at 699.
[27] *Id.* at 698. Gagosian Gallery also "published and sold an exhibition catalog that contained reproductions of Prince's paintings and images from Prince's workshop."
[28] *Id.*
[29] Cariou v. Prince, 784 F. Supp. 2d 337, 348–49 (S.D.N.Y. 2011).
[30] *Id.* at 349.
[31] *Id.* at 351, 355.
[32] *Cariou*, 714 F.3d at 704, 712.
[33] *Id.* at 707.
[34] *Id.* at 706.

Court has previously held that in order to qualify as fair use, a new work generally must alter the original with "new expression, meaning, or message."[35] More importantly, in addressing Prince's deposition comments about having no interest in Cariou's original intent for the photographs, Judge Parker, writing for the Second Circuit, stated that Prince's lack of interest or intentional commentary on Cariou's original work was not dispositive.[36]

The Second Circuit opined that instead of focusing on Prince's artistic rationale, the court should instead examine how the works may "reasonably be perceived"[37] in order to evaluate their transformative status.[38] Toward this end, the Second Circuit found the Seventh Circuit's decision in *Brownmark Films, LLC v. Comedy Partners* instructive.[39] In that case, Judge Parker noted that evaluating parody as a fair use is determined by viewing the works side by side.[40] Furthermore, only the original video and the new work were necessary to decide the question of fair use.[41] The Second Circuit similarly went on to analyze the two works in the same manner and found that the Prince's works have "a different character...expression, and employ new aesthetics with creative and communicative results distinct from Cariou's."[42] The court also analyzed the works and found that some of Prince's work did not alter the original photograph to any appreciable extent, while in others "the entire source photograph is used but is also heavily obscured and altered..."[43] The court held that while five of Prince's works did not qualify as fair uses because Cariou's original "work is readily apparent,"[44] Prince's remaining twenty-five works were held to be permissible fair uses.[45]

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[35] *Id.* at 704 (citing *Campbell*, 510 U.S. at 579).
[36] *Id.* at 707.
[37] *Cariou*, 714 F.3d at 707 (citing *Campbell*, 510 U.S. at 582).
[38] *Id.*
[39] *Id.*
[40] Brownmark Films, LLC v. Comedy Partners, 682 F.3d 687, 692 (7th Cir. 2012).
[41] *Id.* at 690.
[42] *Cariou*, 714 F.3d at 708.
[43] *Id.* at 710.
[44] *Id.* at 701.
[45] *Id.* at 706, 710, 712.

III. ANALYSIS

A. Kienitz v. Sconnie Nation, LLC Background and Decision

Michael Kienitz, as a journalist and photographer from Madison, Wisconsin, earned a living working as a journalist and photographer.[46] Kienitz was careful throughout his career about how he licensed his work because he wanted to be able to approve of the uses of his photographs.[47] During the inauguration ceremony for Mayor Soglin in April 2011, Kienitz photographed the mayor and his family,[48] and shortly after the ceremony, Mayor Soglin's office obtained permission from Kienitz to use the photograph.[49] Kienitz did not charge a licensing fee in this instance and permitted the Mayor and his office to use the photograph for noncommercial purposes.[50] The photograph was later placed on the City of Madison's official website with a photo credit in the lower right hand corner that recognized Kienitz as the author.[51]

In March 2012, controversy circulated over an upcoming block party known as the "Mifflin Street Block Party."[52] This party is an annual event that started in 1969 as part of a series of student protests on the University of Wisconsin-Madison campus.[53] While a student at UW-Madison, Mayor Soglin was notoriously arrested at the first block party.[54] Sconnie Nation LLC and Underground Printing-Wisconsin LLC decided to create apparel displaying the phrase "Sorry For Partying" over the image of the Mayor to allude to the block party's history.[55] To specify the intention of their commentary, Sconnie Nation and Underground looked for a recognizable image of Mayor Soglin to

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[46] Kienitz v. Sconnie Nation LLC, 965 F. Supp. 2d 1042, 1044 (W.D. Wis. 2013).
[47] *Id.* at 1045.
[48] *Id.*
[49] *Id.* at 1045–46.
[50] *Id.* at 1046.
[51] *Kienitz*, 965 F. Supp. 2d at 1046.
[52] *Id.* at 1046–47.
[53] *Id.* at 1046.
[54] *Id.*
[55] *Id.* at 1047.

include on the apparel, and they found the photograph taken by Kienitz on the official City of Madison website.[56] Sconnie Nation downloaded and altered the photograph, making Mayor Soglin's face green against a black background, outlining the image in blue, and adding the phrase "Sorry for Partying" in multicolored text.[57] Kienitz later discovered that someone had created a shirt featuring his photograph of Mayor Soglin and Kienitz subsequently filed an application for federal registration of his copyright in the original Soglin photograph.[58]

1. District Court Decision

The United States District Court for the Western District of Wisconsin held that three of the fair use factors (the purpose and character of the use, the amount and substantiality of the portion taken, and the effect of the use on the potential market) weighed in favor of Sconnie Nation, while the nature of the original work was a neutral factor and did not weigh for or against either party.[59] In considering the first factor, the district court noted that the crux of their inquiry was whether the new work "supersedes the original work, or instead adds something new with a further purpose or of a different character."[60] The court further noted that the defendants did not use an exact copy of the photograph for profit,[61] and that the "robust transformative nature . . . tips this factor toward fair use, even taking into account the fact that the shirts were a commercial product."[62] The court commented on all of the changes that were made to Kienitz's original photograph, including a "monochromatic outline of Mayor Soglin's image in a Paschke-eque neon green, similar in appearance to a photographic negative,"[63] and that the defendants used the original photograph "as raw material to create something entirely new with a different

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[56] *Kienitz*, 965 F. Supp. 2d at 1046.
[57] *Id.*
[58] *Id.* at 1048.
[59] *Id.* at 1055.
[60] *Id.* at 1049.
[61] *Kienitz*, 965 F. Supp. 2d at 1050.
[62] *Id.* at 1051.
[63] *Id.* at 1050.

aesthetic, message and meaning."[64] With regards to the market effect factor, the district court held that seeing the images next to one another was enough to realize that the shirts "were not a substitute for and did not reduce the demand for Kienitz's photographic portrait . . . "[65] The district court supported this assertion by citing *Campbell*, wherein the Supreme Court stated that in works that are truly transformative, the new work is not likely to affect the market for the original because parodies and originals usually "serve different market functions."[66]

2. Seventh Circuit Decision

The Seventh Circuit affirmed the district court's decision but used different reasoning.[67] Judge Easterbrook attested that transformative use "is not one of the statutory factors,"[68] and went on to say that the Seventh Circuit is skeptical of the approach adopted by the court in *Cariou* because skewing the fair use analysis heavily toward the transformative use factor could potentially override § 106 of the Copyright Act's protection for derivative works.[69] The Seventh Circuit further held that the most important of the four fair use factors explicitly mentioned in § 107 of the Copyright Act is the market effect factor.[70] The court concluded that apparel is not a substitute for the original photograph[71] because Kienitz never argued that he planned to license his photograph for apparel purposes nor did Kienitz argue that Sconnie Nation's products decreased the demand for the original photograph or the demand for any other use of that photograph.[72] Judge Easterbrook stated that the defendants did not need to use Kienitz's photograph of Mayor Soglin as they could have taken their own picture, and that the fair use defense was not intended to protect "lazy appropriators" but to "facilitate a class of

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[64] *Id.*
[65] *Id.* at 1054.
[66] *Kienitz*, 965 F. Supp. 2d at 1054 (citing *Campbell*, 510 U.S. at 591).
[67] Kienitz v. Sconnie Nation LLC, 766 F.3d 756, 760 (7th Cir. 2014).
[68] *Id.* at 758.
[69] *Id.*
[70] *Id.*
[71] *Id.* at 759.
[72] *Kienitz*, 766 F.3d at 759.

uses that would not be possible if users always had to negotiate with copyright proprietors."[73] The opinion concluded by stating that the infringement by Sconnie Nation might impact Kientz's long term commercial market for the picture, but this "is not enough to offset the fact that, by the time defendants were done, almost none of the copyrighted work remained."[74]

B. Questioning the Relevance of Transformative Use to the Fair Use Analysis

In *Kienitz v. Sconnie Nation, LLC.,* the Seventh Circuit Court of Appeals contended that "asking whether something is transformative or not...could override § 106(2) of the Copyright Act, which protects derivative works."[75] To reiterate, in *Campbell*, the Supreme Court described transformative use as whether the new work "adds something new, with a further purpose or different character."[76] More recently, other courts have decided transformative use exists "where the defendant uses a copyrighted work in a different context to serve a different function than the original."[77] The Court also stated in *Campbell* that transformative uses are "at the heart of the fair use doctrine's guarantee of breathing space within the confines of copyright."[78] The Supreme Court has further articulated how to balance the other factors with the transformative use aspect of the first factor: "the more transformative the new work, the less will be the significance of the other facts, like commercialism, that may weigh against a finding of fair use."[79] Since the *Campbell* decision, courts have taken note of the transformative use analysis, and that analysis has become the dispositive factor of the fair use determination in many cases.[80]

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[73] *Id.*
[74] *Id.* at 760.
[75] *Id.* at 758.
[76] *Campbell*, 510 U.S. at 572.
[77] Warner Bros. Ent., Inc. v. RDR Books, 575 F. Supp. 2d 513, 541 (S.D.N.Y. 2008).
[78] *Campbell*, 510 U.S. at 579.
[79] *Id.* at 569.
[80] Jeremy Kudon, Note, *Form Over Function: Expanding the Transformative Use Test for Fair Use*, 80 B.U. L. REV. 579, 583 (2000).

However, given the broad language of the Copyright Act, concerns regarding the potential implications on derivative works, such as those expressed by Judge Easterbrook in *Sconnie Nation,* are to be expected.[81] Concern over the implications of the transformative use inquiry on the issue of derivative works might itself stem from the Copyright Act which defines a "derivative work" as one "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."[82] While the first portion of the definition illustrates what kinds of changes to a prior work would constitute a derivative work, the latter half significantly broadens the scope of the definition.[83]

Many court opinions have found that transformative use is different from merely transforming a prior work into a derivative work. In *Castle Rock Entertainment v. Carol Publishing Group*, for example, defendants created *The Seinfeld Aptitude Test*, a book of 643 trivia questions meant to test the reader's knowledge and memory of the characters and the events in the popular television sitcom. [84] The court there found that the defendants' work had "transformed Seinfeld's expression into trivia quiz book form with little, if any, transformative purpose," and concluded that this factor weighed against a finding of fair use.[85] The court noted that the defendants used at least some iota of creative expression, so that they had potentially created a derivative work. However, in order to clarify any potential confusion with the term "transformative," the court stated that "[a]lthough derivative works that are subject to the author's copyright transform an original work into a new mode of presentation, such works—unlike works of fair use—take expression for purposes that are not 'transformative.'"[86] The court unambiguously precluded the view

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[81] R. Anthony Reese, *Transformativeness and the Derivative Work Right*, 31 COLUM. J.L. & ARTS 467, 494 (2007–2008).
[82] 17 U.S.C. § 101 (2014) (defining "derivative work").
[83] Reese, *supra* n.81, at 468.
[84] Castle Rock Ent., Inc. v. Carol Pub. Group, Inc., 150 F.3d 132, 135 (2d Cir. 1998).
[85] *Id.* at 143.
[86] *Id.*

that the particular transformation utilized in the production of a derivative work would unavoidably also count towards making that new work a transformative use within the framework of fair use analysis.[87]

In *Dr. Seuss Enterprises, L.P. v. Penguin Books*, defendants wrote a book called *The Cat NOT in the Hat,* and used the writing style of Dr. Seuss' *The Cat in the Hat* in order to tell the story of the O.J. Simpson murder trial.[88] The district court found that the new work seemed to be a classic example of a derivative work because the defendants took the main character from the copyrighted work and placed that character in a new setting to tell their new story.[89] However, the Ninth Circuit found that the plaintiff prevailed on its *prima facie* infringement claim because although the content of the original work was transformed, there was no effort to create a transformative work, as the new work did not make any reference to the original in the sense of a parody, but merely utilized the prior work's main character and writing style.[90] This case is yet another example of a circuit court distinguishing between the transformation elements of derivative works from the transformation required for a transformative use. These two cases, and fair use analysis cases generally, do not tend to consider the transformation of the original copyrighted work in the degree of transformation inquiry.[91]

However, the rationale used in *Kientz* undermining the relevancy of the "transformative use" analysis in *Cariou,* is flawed and problematic. First, although the *Cariou* case is different from other transformative use cases because of Prince's testimony, which suggested that he did not purposefully intend to comment on the original work, the *Campbell* decision did not constrain transformative use with a prior intent or aforethought requirement on behalf of the alleged infringer.[92] Second, although the term "transformative use" does not appear in the text of § 106 of the

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[87] Reese, *supra* n.81, at 471–72.
[88] Dr. Seuss Enter's., L.P. v. Penguin Books USA, Inc., 109 F.3d 1394 (9th Cir. 1997).
[89] *Id.* at 1397.
[90] *Id.* at 1401.
[91] Reese, *supra* n.81, at 468.
[92] Cariou v. Prince, 784 F. Supp. 2d at 350, 352.

Copyright Act, the Seventh Circuit fails to appreciate the specific legislative intent in creating a set of four non-exclusive factors to be part of fair use analysis.[93] Congressional records show that Congress did not want to create a rigid fair use analysis, especially "during a period of rapid technological change."[94] Furthermore, the Congressional record emphasizes that a rigid fair use standard would not be appropriate due to "the endless variety of situations and combinations of circumstances that can rise in particular cases."[95] Congress sought to codify a fair use standard that would retain its relevance into the modern age, and granted judges a measure of discretion for determining fair use under the unique facts and circumstances of each individual case.

C. Primacy of the Market Effect

In *Kienitz v. Sconnie Nation LLC,* Judge Easterbrook contends that he "think[s] it best to stick with the statutory list, of which the most important usually is the fourth (market effect)."[96] Judge Easterbrook further details how the market effect factor should be analyzed based on "whether the contested use is a complement to the protected work (allowed) rather than a substitute for it (prohibited)."[97] The court then concludes that the t-shirts with the new work are not a substitute for the original photograph of Mayor Soglin and that Kienitz did not contend that defendants interrupted a plan to license the work for apparel.[98]

There are several potential issues with this analysis of the market effect factor. First, if the Seventh Circuit truly wants to step back to a more statutorily authentic fair use standard, there is a larger hurdle to overcome: the statutory text of the fourth factor reads "the effect of the use upon the potential market for or value of the copyrighted work."[99] If the statute requires that judges "shall include"[100] consideration of all four factors, why has "effect

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[93] H.R. REP. NO. 94-1476 (1976).
[94] *Id.* at 5680.
[95] *Id.*
[96] *Kienitz*, 766 F.3d at 758.
[97] *Id.*
[98] *Id.* at 759.
[99] 17 U.S.C. § 107(4).
[100] 17 U.S.C. § 107.

upon the potential market"[101] been almost exclusively interpreted as harm on the potential market? It is difficult to argue that statutory authenticity is important and then chose to ignore the relevance of clear statutory language. Second, analysis of the market effect factor can be flawed. Under the fourth factor, judges may consider the effect on the current or potential market for the work.[102] The problem with this analysis is that it can be construed very broadly. It is possible to hypothesize a potential future market for any specific work. To argue that future potential markets are relevant in market effect analysis has the power to potentially undermine the dissemination and public welfare goals of copyright law. The fourth factor is underpinned by circular logic, and this makes applying the factor problematic.[103]

In *Princeton University Press v. Michigan Document Services, Inc.*, the Sixth Circuit Court of Appeals heard a case regarding a commercial copy shop that reproduced large amounts of scholarship, *e.g.,* textbooks, bound them into coursepacks, and sold them to students without notifying the copyright holder or paying licensing fees.[104] The majority found that the use did not constitute fair use, and infringed the copyrights of the textbook authors. However, Judge Ryan, writing for the dissent, reiterates the original panel opinion which summarized the circularity argument of the market effect factor by stating that "[t]he right to permission fees is precisely what is at issue here. It is circular to argue that a use is unfair, and a fee therefore required, on the basis that the publisher is otherwise deprived of a fee."[105] When the market effect factor is the only relevant fair use factor – either because the facts of the case render the other factors inconclusive or because a court believes that the market effect factor is

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[101] 17 U.S.C. § 107(4).
[102] *See, e.g.,* Sony v. Universal City Studios, Inc., 464 U.S. 417, 453 (1984).
[103] Anthony Davis Jr., *Fair Use: Articulating the Liberal Approach*, PORTAL: LIBRARIES AND THE ACADEMY 121, 125 (2012), https://www.press.jhu.edu/journals/portal_libraries_and_the_academy/portal_pre_print/current/articles/12.2davis.pdf.
[104] Princeton University Press v. Michigan Document Services, Inc., 99 F.3d 1381, 1408 (1996).
[105] *Id.* at 1407 (Ryan, J., dissenting).

"[usually] the most important"[106] – the reality of the market effect argument's circularity becomes apparent.

In *American Geophysical Union v. Texaco, Inc.*, another case where the circularity issue of factor four was evident, the Second Circuit found the photocopying of scientific journals to be used by Texaco researchers was not a fair use.[107] However, when the court addressed the market effect factor, it found that only a minimal amount of subscriptions had been lost from the copying, but large earnings were lost from the market for licensing fees for individual articles.[108] Although the court attempted to address the circularity problem, the majority found that they only had to consider reasonable or likely to be developed markets, and that the market for licensing works was reasonable or likely to be developed.[109] Judge Jacob's dissent argued that the circularity problem was not avoided, because the market for licensing can be reasonably expected to develop if the court rejects Texaco's fair use defense, and the court cannot hold a particular use as infringing unless there is an existing market that can be harmed.[110] While the kind of circularity problem described within the market effect factor in *Princeton University Press* or *American Geophysical Union* is not directly at issue in the *Kienitz* case, assigning prime importance to a factor that frequently faces such potential for circular reasoning is a disservice to the goals of copyright law.

IV. FUTURE IMPLICATIONS AND CONCLUSION

The consequence of *Kienitz v. Sconnie Nation LLC* is that the fair use analysis, which is already wrought with ambiguity, is clouded with even more uncertainty. By directly rejecting the transformative use trend, the Seventh Circuit created a circuit split. The Second Circuit, as evident in the *Cariou* decision, follows *Campbell* and incorporates a transformative use inquiry into its fair use analysis, while the Seventh Circuit now gives more credence to the market effect factor. The Supreme Court has denied

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[106] Kienitz v. Sconnie Nation LLC, 766 F.3d at 758.
[107] American Geophysical Union v. Texaco, Inc., 60 F.3d 913 (2d Cir. 1994).
[108] *Id.* at 930–31.
[109] *Id.* at 930.
[110] *Id.* at 937 (Jacobs, J., dissenting).

certiorari on the *Kienitz* case, which leaves the messy question of transformative fair use stuck in its current form.

More broadly, if the trend ignited by the Seventh Circuit court continues in future cases – if the fair use analysis continues to become primarily dependent on whether the contested use is a "complement" rather a "supplement" – this may have significant implications for the purposes of American copyright law as we understand them. It is possible to have a use that is transformative in the sense of the first factor of the fair use analysis, but that might also impinge on the potential market for the original use. In such a situation, which aim of copyright law prevails: incentivizing creation, or allowing access for the public welfare of society? Furthermore, due to the circular logic intrinsic in the fourth factor analysis of market effect, concerns may arise given that there can be a potential future market for anything. Furthermore, the *Kienitz* decision is problematic because it does not clarify the questions that remain with regard to the market effect factor. For example, the decision does not clarify how to determine if there is a market or potential market, and it does not clarify how to properly quantify the likelihood of harm to such markets. The opinion also does not address the problems of circular logic and argument that anything can have a specific market. If it is true that the market effect factor is more relevant because it is explicitly mentioned in the Copyright Act then should it not be easier to quantify and recognize?

In conclusion, although *Kienitz v. Sconnie Nation, LLC* was correctly decided, the Seventh Circuit's rationale for a finding of fair use, which dismantles the trend of courts to engage in a transformative use analysis, was both contrary to Supreme Court precedent and unhelpful to the broader question of applying fair use with some consistency. The *Kienitz* opinion is incorrect in its assertion that transformative use analysis will impinge upon the statutorily protected right of derivative works, due to the fact that court opinions since *Campbell* have shown that judges can pull apart questions of "transformative use" from issues of whether a derivate work was created. Furthermore, although some might consider application of the market effect factor more objective than the transformative use factor, the market effect factor is oftentimes based on problematic circular logic. Moreover, if the

true goal of the *Kienitz* decision is to return to authentic statutory interpretation of the fair use standard, "market effect" needs to be analyzed in light of potential market harm and potential market help. When courts give any one factor primacy, they ignore the Congressional intent for the fair use analysis, which is based on the balancing of all the statutory factors.

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