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Intellectual Property Alert

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SCOTUS reins in the fair-use defense in the commercial context

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The ruling provides clarity to both creators and individuals or organizations who draw on others' artistic works.



What's the Impact?

- / *Goldsmith* does not overhaul the fair-use doctrine, but instead clarifies its limitations within the realm of commercial use.
- / Creators could see an increase in the relevance and incidence of early stage licensing agreements for their works.
- / The decision may impact industries like fashion, music, and advertising, which frequently source and use others' original artistic works.

In a 7–2 decision on May 18, 2023, the Supreme Court decided *Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith et al.*, No. 21-869, holding that the “purpose and character” of the commercial use of Andy Warhol’s silkscreen prints depicting rock star Prince Rogers Nelson could not survive under a transformative fair-use defense. While the long-awaited decision is not groundbreaking by any means, the Supreme Court’s reining in of the *limited* fair use defense to copyright infringement in the realm of visual art will be welcome news to many, including artists who may have previously been unsure of their ability to reap the monetary benefits for the

unauthorized downstream use of their original creative works. Moving forward, individuals or organizations interested in commercially leveraging the original work of another should strongly consider obtaining a license to do so and should not purely rely on the extent to which the original work has been recreated or reimagined.

How did the dispute arise?

The *Goldsmith* dispute arose from an initial licensing deal between celebrity photographer Lynn Goldsmith and *Vanity Fair* magazine. The deal was that *Vanity Fair* would license one of Goldsmith's Prince photographs for use as an "artist reference" on a single-use or "one time" basis. The artist *Vanity Fair* hired was Andy Warhol. Warhol made a silkscreen using Goldsmith's photo, and *Vanity Fair* published the resulting image alongside an article about Prince.

Warhol then created fifteen additional works based on the Goldsmith photograph. Twelve of the physical copies Warhol created now belong to collectors and have been displayed in museums and galleries around the world, and the works themselves have been reproduced in various books, magazines, and promotional materials.

It was not until 2016 that Goldsmith learned of the fifteen additional *unlicensed* works Warhol created when the Andy Warhol Foundation for the Visual Arts, Inc. (AWF) licensed one of those works to Condé Nast, again, for the purpose of illustrating a magazine story about Prince. AWF came away with \$10,000, and Goldsmith—the creator of the initial work—received nothing.

The next year, Goldsmith and the AWF sued one another in U.S. District Court in the Southern District of New York where AWF prevailed on its fair use defense. The Second Circuit reversed the lower court, leading AWF to petition the Supreme Court to set the record straight and provide guidance as to the transformative fair use doctrine as the decisions of lower courts were riddled with inconsistencies in applying the test.

Reining in the transformative fair use doctrine

Goldsmith marks the Supreme Court's first analysis of the transformative fair use doctrine since 1994, and its decision could not have been timelier. Grounded in its 1994 decision in *Campbell v. Acuff-Rose Music, Inc.*, the *Goldsmith* opinion focuses exclusively on the first fair use factor, "the purpose and character" of the use of the copyrighted work, and it places a particular emphasis on "whether such use is of a commercial nature or is for nonprofit educational purposes." 17 U.S.C. 107(1). The Court explained that if an original work and secondary use share a similar purpose and the secondary use is commercial, the factor is likely to weigh against fair use.

Notably, leading up to oral argument in October 2022, the United States and its Solicitor General submitted an amicus brief that underscored the importance of the commercial nature of the use under the first prong of the fair use analysis. The government's focus on couching the relevant use analysis in the commercial versus non-commercial context was clearly well taken, as the point is reiterated throughout the majority's opinion. For example, Justice Sotomayor writes that "Goldsmith's photograph of Prince" and "AWF's copying use of the photograph . . . share substantially the same commercial purpose[.]" and due to the strong similarities between the

two works in this context AWF's failure to "offer [any] other justification for its unauthorized use of the photograph" ultimately defeats its claim of fair use. Justice Sotomayor goes on to state that to hold otherwise "would potentially authorize a range of commercial copying of photographs, to be used for purposes that are substantially the same as those of the originals."

Justice Gorsuch's concurrence perhaps best illustrates the policy rationale underlying the outcome in this case. Namely, "[n]othing in the law requires judges to try their hand at art criticism and assess the aesthetic character of the resulting work." As set forth in the concurrence, this approach envisions a "comparatively modest inquiry focused on how and for what reason a person is using a copyrighted work in the world, not on the moods of any artist or the aesthetic quality of any creation." Warhol's state of mind and the extent to which his use is a unique and creative depiction of the original is indeed outside the scope of the law and "does not require judges to tangle with questions so far beyond [their] competence."

Justice Kagan's dissent makes several interesting points, all of which focus on a more *subjective* approach to analyzing the first fair use factor. Specifically, the dissent emphasizes the importance of analyzing the overall "aesthetics and message" of the resulting work and how those factors can serve to distinguish allegedly infringing works "from the original templates." The dissent coins the majority's approach as one that "adopt[s] [a] posture of indifference" as to the transformative degree of the works—a question that "[b]efore today" was central to the analysis, and the omission of which "leaves our first-factor inquiry in shambles."

In sum, the *Goldsmith* decision does not represent a complete overhaul of the transformative fair-use doctrine, as many had anticipated. Instead, the decision adequately reins in the transformative fair-use inquiry to focus on the "objective indicia of the use's purpose and character, including whether the use is commercial and, importantly, the reasons for copying."

What are the implications for artists and collectors?

For photographers and other artists who make a living by licensing their art, the *Goldsmith* decision is a huge victory as it will undoubtedly increase the relevance and incidence of early stage licensing agreements for their works. For other artists, especially those that base their own works largely upon pre-existing works, the post-*Goldsmith* era may be viewed as an alteration to the status quo where the modification of the "aesthetics and message" of an original work (without more) in the commercial context may no longer be enough to claim transformative fair use. Of course, while these general principles can be drawn from the decision, the transformative fair use analysis is a nuanced one and will ultimately be determined on a case-by-case basis in an evolving world where the ease of manipulating sounds, images, and video is more accessible than ever.

From a collector's perspective, the *Goldsmith* decision has the potential to impact downstream liability for holders of art that unknowingly purchase pieces that are later held to be infringing derivative works. While the "first sale" doctrine is a general exception, it may not apply where the first sale itself was not protected, which could impact collector's ability to publicly display or sell at public auction. Because the majority expressed "no opinion as to the creation, display, or sale

of any of the original *Prince Series* works” whether any one of copyright law’s other “escape valves” apply to the *Prince Series* or similar works is a question left for future determination with the potential to impact these works’ market and secondary sale valuations.

Whether the *Goldsmith* decision, which focuses on copyright infringement in the realm of visual art, reaches across to industries like fashion, music, and advertising—where entire business models center upon the borrowing of designs, textiles, language, and sounds—is yet to be seen, and is a point worth strategic consideration as transformative fair use jurisprudence continues to evolve.

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