Fair Use: Without Harm to the Copyright Owner Can There Really be a Potential Market for a Work? 2010)

I recently represented a nonprofit client in what should have been a simple rights clearance matter. The client wanted to use short audio portions of music for educational purposes without having to license rights from the sound recording copyright owners. The contemplated use was transformative, the portions taken were quantitatively and qualitatively insignificant and did not replace the underlying works, and the client's goal was to educate music lovers about a particular genre of music. Regretfully, I had to tell them such a use was risky and probably neither *de minimis* nor a permitted fair use under the copyright law.

A *de minimis* use is*,* by definition, permissible without a fair use analysis. See Sandoval v. New Line Cinema Corp. ,973 F. Supp. 409, 412-414 (S.D.N.Y. 1997). But since the copyright law provides no bright lines, and there is both a quantitative and qualitative component to the infringement analysis, use of small excerpts alone is an illusory safe harbor. See Video-Cinema Films, Inc. v. The Lloyd E. Rigler-Lawrence E. Deutsch Foundation, 2005 US Dist LEXIS 26302 (SDNY 2005)(copying of less than one percent of a motion picture not *de minimis*); Bridgeport Music, Inc. v Dimension Films, 410 F.3d 792, 801 (6th Cir. 2005)(defendant required to get license for audio sample of a two second guitar excerpt).

So, if my client's potential use was not *de minimis,* could it still be a fair use? Which got me thinking about fair use generally. Most copyright lawyers, I assume, err on the side of clearing rights by license, whether in an actual transaction or while counseling clients to avoid litigation. Fair use is just too vague and subjective, and if there is a lawsuit your judgment is not vindicated until after the litigation. And with a larger client

with deep pockets, using content without permission is an invitation for legal action. So the very imprecision of the fair use concept draws the line closer to the creators' side of the equation, chilling free speech.

Thus, in reviewing section 107, a court may consider whether the use is commercial or not for profit; whether the work is creative or factual; the amount and substantiality of the portion used; and the effect of the use upon potential markets for or the value of the underlying copyrighted work. But the fourth factor is undoubtedly the most significant, so it is not purely a numbers game. That is, the relative weight of this factor often tips a close balance against the user.

The concept that was particularly troubling for my client and those similarly situated (the "poster children" for fair use: nonprofits using copyrighted materials for favored purposes like education) was that courts have found potential markets for copyright owners' works in all kinds of unrelated uses. Which is appropriate if there is market harm, since the copyright owner has the exclusive right to exploit its work in all media or authorize others to do so. See 17 U.S.C. 106. Cf. Rogers v. Koons, 960 F.2d 301(2d Cir. 1992), (because of extensive copying of plaintiff's photograph in defendant's translation to sculpture, which harmed plaintiff's right to license the derivative right to make sculptures, the court determined that defendant's argument that the photographer never intended to make sculpture of photograph was irrelevant).

So, as a potential user, how does one anticipate all of the copyright owner's potential markets? Is the concept analogous to trademark's zone of expansion, where users must intuit logical extensions of geographical areas and product lines? Does there have to be an existing market for the copyright owner's work? Do people have to know about it? If there is

such a market does that, by definition, automatically negate any *de minimis* defense?

In Video-Cinema Films, the court split the fair use factors, two-two: the defendant was a nonprofit and it was using an insignificant excerpt from a movie (1 minute, 25 seconds of a 136 minute movie). On the other side of the equation, the underlying work was creative and the plaintiff had a business licensing video clips. Based on this final factor, the court determined that the defendant's use was not fair as it would be likely to erode the market for plaintiff's clips.

Part of the decision was based on the defendant's prior knowledge of plaintiff's business -- as they had met in court before -- but the harm analysis (or absence thereof) is confusing. The court references a video clip licensing market with third parties, presumably to establish the existence of such a market, but does that then mean that the defendant would be expected to license such clips from the plaintiff? That third parties would buy defendant's film instead of plaintiff's video clips? What if the defendant's portions were *de minimis* or the plaintiff didn't license the clips the defendant wanted to use?

Clearly, the defendant's use was not a substitute for plaintiff's video clip licensing business, so the court did not establish harm to the plaintiff's market. Likewise, if someone uses small audio portions of sound recordings in an educational DVD, and there is a market for ringtones, movie soundtracks and video games, that doesn't mean that the DVD is a substitute for any of those uses or would harm those markets.

So when harm is not factored into the fair use analysis, the reasoning becomes circular: harm is presumed because of the existence of a "potential" market. But if a use doesn't substitute for or impair a market for one of the copyright

owner’s rights, how can it really be a potential market for the work?