

No. 19-55348

IN THE
United States Court of Appeals
for the Ninth Circuit

DR. SEUSS ENTERPRISES, L.P.,
Plaintiff-Appellant,

v.

COMICMIX LLC, *et al.*,
Defendants-Appellees.

On Appeal from the United States District Court
for the Southern District of California
No. 3:16-cv-02779-JLS-BGS
Hon. Janis L. Sammartino

BRIEF OF *AMICUS CURIAE*
THE MOTION PICTURE ASSOCIATION OF AMERICA, INC.
IN SUPPORT OF PLAINTIFF-APPELLANT

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Federal Rules of Appellate Procedure 26.1 and 29(a)(4)(A), *amicus curiae* the Motion Picture Association of America, Inc. states that it has no parent corporation and that no publicly held company owns 10% or more of its stock.

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INTEREST OF *AMICUS CURIAE*

Amicus curiae the Motion Picture Association of America, Inc. (the “MPAA”)¹ respectfully submits this brief in support of appellant Dr. Seuss Enterprises, L.P. (“DSE” or “plaintiff”) with the consent of all parties. *See* Fed. R. App. P. 29(a)(2).²

The MPAA is a not-for-profit trade association founded in 1922 to address issues of concern to the motion picture industry. The MPAA’s members and their affiliates are responsible for producing some of the most creative and memorable copyrighted works in the world. Many of the motion pictures and television shows funded, produced and distributed by the MPAA’s members include instantly recognizable, iconic characters—from Bambi and Batman to Harry Potter and SpongeBob SquarePants. In addition to sequels and spinoffs, the MPAA’s members license and distribute entertainment-related products based upon characters and other content from the movies and shows they produce, including books, soundtracks, live theatrical productions, toys, games, clothing, videos and

¹ The MPAA’s members are: Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Universal City Studios LLC, Walt Disney Studios Motion Pictures, Warner Bros. Entertainment Inc., and Netflix Studios, L.L.C.

² Pursuant to Federal Rule of Appellate Procedure 29(a)(4)(E), the MPAA states that no counsel for a party has authored this brief in whole or in part; that no party or counsel for a party has made a monetary contribution intended to fund the preparation or submission of this brief; and that no person other than the MPAA, its members, and its counsel has made a monetary contribution intended to fund the preparation or submission of this brief.

other types of merchandise. The MPAA's members distribute these products in physical and digital formats through myriad channels around the globe.

The wide variety of such products and services demonstrates the great economic importance of the MPAA's members' exclusive rights under copyright law to produce derivative works. These rights are especially valuable in the case of popular and classic movies and television shows. The significant revenues from exploiting those rights help to fund future creative investments. In exercising their rights to create and authorize derivative works, the MPAA's members are careful to identify uses that will enhance rather than detract from the value of the underlying property, and won't compete with other licensed exploitations.

Significantly for purposes of this case, in addition to licensing derivative uses and merchandise in general, the MPAA's members and their affiliates frequently authorize derivative works that combine characters and other elements from two or more copyrighted properties owned by different parties. There is now, and for years has been, a valuable market for products of this type that is threatened by the reasoning and result in the instant case.

To cite a few examples:

An MPAA member entered into a licensing arrangement a number of years ago to produce several *Star Wars*-themed episodes of the popular television series

Family Guy, featuring *Star Wars* characters rendered in the distinctive cartoon style of the television show:



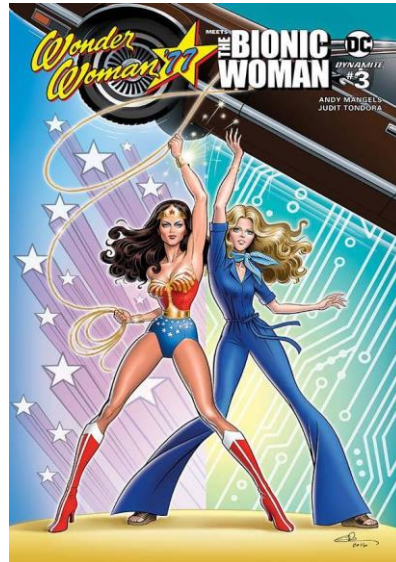
Still from *Family Guy* “*Blue Harvest*” episode (2007)

In recent years the creators of the *Lego* movie series (2014 to present) have obtained licenses from MPAA members to produce films featuring an array of characters as diverse as Batman, Albus Dumbledore of *Harry Potter* and The Cowardly Lion from *The Wizard of Oz*, all of which appear in the form of the popular Lego toys:



Poster for *The Lego Batman Movie* (2017)

The MPAA's members and their affiliates have also licensed numerous “crossover” comic books mixing cartoon, film and/or television characters. Such publications frequently entail licensing arrangements between competitors and some, notably, have included “mashed up” characters and characters from *Star Trek*:



Cover illustrations from *Superman vs. the Amazing Spiderman* (1976);

Wonder Woman '77 Meets Bionic Woman (2017);

Amazon (featuring Wonder Woman/Storm mash-up character) (1996);

and *Star Trek/Green Lantern* (2016)

The MPAA's members are not only owners and licensors of copyrighted works, but also depend upon the proper application of the fair use doctrine, which serves to protect the free speech interests of filmmakers and their distributors. *See, e.g., Brownmark Films, LLC v. Comedy Partners*, 682 F.3d 687 (7th Cir. 2012) (*South Park* parody was fair use); *Leibovitz v. Paramount Pictures Corp.*, 137 F.3d 109 (2d Cir. 1998) (parodic replication of famous photograph was fair use); *Faulkner Literary Rights, LLC v. Sony Pictures Classics, Inc.*, 953 F. Supp. 2d 701 (N.D. Miss. 2013) (quotation of Faulkner in film was fair use). Accordingly, the MPAA is well positioned to provide the Court with a unique and balanced perspective on the proper contours of the fair use defense generally, and more specifically, its application to derivative works. A misinterpretation of the fair use doctrine—as occurred here—impairs the exclusive rights of the MPAA's members and other copyright owners to authorize, license and distribute derivative works, including so-called mash-ups, based upon their original creations and copyrighted libraries of works. Such a result undermines, rather than enhances, the goals of copyright.

SUMMARY OF ARGUMENT

Oh, the Places You'll Boldly Go! (“*Boldly*”) is an unauthorized excursion into others' copyright interests, for commercial gain, that does not satisfy the criteria for fair use. Focusing on defendants' adaptation of Dr. Seuss's (“Seuss”)

original artwork and story elements to include *Star Trek* characters and motifs—and deeming the end product a “highly transformative” mash-up—the district court failed properly to apply the four-factor fair use analysis required under section 107 of the Copyright Act, especially the first and fourth factors.

The district court got the careful balance of fair use wrong in suggesting that a work combining characters, settings and other recognizable elements from two (or more) popular copyrighted works—especially one that is designated a “mash-up”—is for that reason alone sufficiently “transformative” to override the market harm factor and other fair use considerations set forth in section 107. There is nothing original about merely combining or “mashing up” protected expression from two copyrighted works to justify such a sweeping exception to the normal rules of fair use. Like any other unauthorized derivative work, a mash-up needs to satisfy the statutory four-factor test to be found noninfringing of the primary works that have been combined.

As for the first factor, *Boldly* does not comment on or criticize, or add new meaning to *Oh, the Places You’ll Go!* (“Go!”), or any other work of Seuss, in a manner that rises to the level of a transformative use. Indeed, the district court firmly rejected the contention that *Boldly* was a parody. *See* Excerpts of Record (“ER”) 81 (alleged parodic character of *Boldly* could not “reasonably be perceived”) (quoting *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 582

(1994)); *see also* ER18. The facts of this case demonstrate that ComicMix LLC and the individual defendants (together, “ComicMix” or “defendants”) chose to copy and use Seuss’s works as a vehicle for their unauthorized book because it would lend their product instant consumer recognition and appeal. In producing a *Star Trek*-themed derivative work, using Seuss’s copyrighted illustrations, that mimicked *Go!*’s storyline and style, defendants hoped to capitalize on the market for the perennial bestselling Seuss original. Neither the nature nor purpose of *Go!* was transformed by defendants’ copying of Seuss’s work.

Equally troubling, with respect to the fourth factor, the district court declined to credit the overwhelming evidence that ComicMix’s unauthorized work would compete with *Go!* and licensed Seuss derivative works, thus harming plaintiff’s well-established market—a market that includes works that combine Seuss characters with other copyrighted properties. The court failed to appreciate that the *nontransformative* and commercial nature of defendants’ copying—directed as it was toward usurping the market for *Go!*—pointed decisively toward market harm. Most importantly, the court failed to apply the correct test to assess market harm, adopting a standard that was both impractical and inconsistent with controlling precedent.

If left to stand, the district court’s decision would seem to allow profit-minded parties to take substantial amounts of protectable expression from

copyrighted works and combine them at will to market unauthorized derivative works. As such, the opinion diminishes the exclusive rights of copyright owners such as the MPAA's members under the Copyright Act to prepare derivative works, 17 U.S.C. § 106(2), and conflicts with fundamental principles of fair use. The MPAA respectfully requests that this Court reverse the decision of the district court because it threatens the ability of movie and television producers, as well as all copyright owners, to exercise their exclusive rights and benefit from derivative exploitations of their works.

ARGUMENT

I. ComicMix Did Not Satisfy the First Fair Use Factor.

Section 107 of the Copyright Act, which codifies the fair use doctrine, sets out four factors to be considered and weighed together in evaluating a claim of fair use as a defense to infringement, among them the purpose and character of the use, including whether it is commercial (the first factor), and the effect of the use upon the potential market for or value of the copyrighted work (the fourth factor). *See* 17 U.S.C. § 107. Congress provided additional guidance to courts examining questions of fair use by citing representative examples of potentially justifiable uses in the preamble to section 107, listing “criticism, comment, news reporting, teaching ..., scholarship [and] research” as types of uses that may be noninfringing. *Id.*

There is no question that the use of a copyrighted work to produce a derivative work may, in appropriate circumstances, qualify as a fair use.³ For example, a parody that targets and makes fun of the original copyrighted work will often be found to be a transformative and justifiable use. *See, e.g., Mattel Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 803 (9th Cir. 2003) (photographer’s use of Barbie to create works constituting “social criticism and parodic speech” was fair use); *Leibovitz*, 137 F.3d at 114 (copying of photograph was fair use where secondary use could “reasonably be perceived as commenting on the seriousness, even the pretentiousness, of the original”); *see also Campbell*, 510 U.S. at 579 (parody has “an obvious claim to transformative value” because it provides “social benefit, by shedding light on” the underlying work).

Apart from parody, the use of a copyrighted work to comment on or criticize a work, or to add new meaning to a work, may also satisfy the criteria for fair use. For example, where there was no discernible secondary market for a photograph advertising footwear, an artist’s use of a portion of the photo in a collage to comment on mass media was held to be transformative and fair use. *See Blanch v. Koons*, 467 F.3d 244, 259 (2d Cir. 2006). More recently, this Court held that an

³ Although the district court correctly observed that a derivative work can qualify as a fair use, ER20, it failed to recognize *Boldly* as a derivative work (“The Court need not resolve whether *Boldly* is a derivative work”). *Id.* But *Boldly* plainly is a derivative work under the Copyright Act’s definition in section 101. *See* 17 U.S.C. § 101 (“A ‘derivative work’ is a work based upon one or more preexisting works”).

image taken from a street art poster and juxtaposed with other elements to make a statement about religion in relation to a rock band's performance was justifiable where it did not interfere with the market for the plaintiff's art. *See Seltzer v. Green Day, Inc.*, 725 F.3d 1170, 1179 (9th Cir. 2013).

Here, however, defendants' takings were far afield of the type of limited borrowing that courts have previously upheld as legitimate. Working directly from Seuss's illustrations, and with a profit motive in mind, defendant Ty Templeton "slavishly" and "painstakingly" copied a large number of Seuss's fanciful landscapes, characters and color choices, rendering these elements in a manner "nearly identical" to the originals. ER8 (quoting defendant). Meanwhile, defendant David Gerrold "rewrote *Boldly*'s text to more closely match *Go!*" so defendants' work would mirror the title, style and overall progression of Seuss's original story. *Id.*⁴ Although the individual instances of copying were not itemized by the district court on summary judgment, it appears from the record that defendants appropriated substantial portions of some 17 Seuss illustrations, *see* Opening Br. of Plaintiff-Appellant Dr. Seuss Enterprises, L.P. ("Pl.'s Br.") at 10-

⁴ This sort of "nonliteral" copying of the essence and structure of a text by creating a close parallel is infringing when the end result is substantially similar to the original. *See* 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.03[A][1] (2019) (discussing "comprehensive nonliteral similarity") ("Nimmer"); *Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1167 (9th Cir. 1977) ("[C]opyright 'cannot be limited literally to the text, else a plagiarist would escape by immaterial variations.'" (quoting *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930))).

13, 30-31, 43-44, in addition to devising Seuss-style substitute text to “closely match” and ““parallel”” that of *Go!*, ER7, ER81 (quoting defendant).

Regardless of whether a derivative work draws upon a single preexisting work, a pair of works, or more—and regardless of whether it can be called a “mash-up”—it is not sufficient for purposes of fair use that an original work has merely been altered or combined with another in some fashion. There must be a legitimate purpose for the use. As the Second Circuit succinctly observed: “Being different from an original does not inevitably ‘comment’ on the original.” *Leibovitz*, 137 F.3d at 114.

A. Defendants’ Appropriation of Seuss’s Works to Create a For-Profit Substitute Was Not Transformative.

It is readily apparent that *Boldly*, a work intentionally designed to compete with *Go!*, does not comment on, criticize or provide deeper insight into the artwork or style of Seuss that is so prominently featured on its pages. *Cf. Campbell*, 510 U.S. at 583 (accused song “reasonably could be perceived as commenting on the original or criticizing it, to some degree”). And it is likewise clear that *Boldly* is not a parody.⁵ In fact, ComicMix admitted that it considered copying other famous

⁵ In concluding—correctly—that *Boldly* was not a parody, the district court’s explanation was telling: “[T]here is no [parodic] juxtaposition [with Seuss] here; *Boldly* merely uses *Go!*’s illustration style and story format as a means of conveying particular adventures and tropes from the Star Trek canon.” ER81.

illustrated works instead to produce its *Star Trek*-themed derivative. ER6.⁶ That defendants could have chosen another picture book as their vehicle, or replaced Seuss's illustrations with their own drawings,⁷ confirms that there was no intent to comment on DSE's copyrighted properties. Rather, the record makes clear that defendants were simply trying "to get attention [and] avoid the drudgery in working up something fresh." *Campbell*, 510 U.S. at 580.⁸

In *Campbell*, the Supreme Court explained that the "central inquiry" of the first fair use factor is whether the new work "adds something new, with a further purpose or different character" or instead merely "'supersede[s] the objects' of the original creation," *id.* at 578-79 (quoting *Folsom v. Marsh*, 9 F. Cas. 342, 348 (C.C.D. Mass. 1841) (No. 4,901)); *Seltzer*, 725 F.3d at 1176 (same). Drawing upon a law review article by Judge Pierre Leval, the Court invoked the term "transformative" to describe uses that might satisfy the first factor in that they "provide social benefit, by shedding light on an earlier work, and, in the process,

⁶ Defendants' original idea was to combine *Star Trek* themes with the preschool book *Pat the Bunny* or another famous children's work. ER6.

⁷ Upon the initiation of this action, one of the defendants suggested replacing the "artwork ... based on Dr. Seuss's artwork" with new original illustrations as a way to "weaken" the plaintiff's case. ER11.

⁸ Surprisingly, the court's summary judgment opinion does not analyze or even mention *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, in which this Court rejected a fair use defense for use of the Cat in the Hat character in a Seuss-style retelling of the O.J. Simpson story. *See generally* 109 F.3d 1394 (9th Cir. 1997).

creating a new one.” *Campbell*, 510 U.S. at 578-79 (citing Pierre N. Leval, *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105, 1111 (1990) (“Leval”)).

Accordingly, “transformative use,” which is employed as a term of art under the first factor analysis, does not mean simply that copied elements have been “adapted or transformed” in the lay sense, as the district court seemed to believe, ER19, but something more. To be transformative, a use “must be productive and must employ the quoted matter in a different manner or for a different purpose from the original.” *Seltzer*, 725 F.3d at 1176 (quoting Leval, 103 Harv. L. Rev. at 1111). Such was not the case here, where defendants copied from Seuss to produce a substitutional book aimed at the same market as the original. *See* ER6-11; *see also Monge v. Maya Magazines, Inc.*, 688 F.3d 1164, 1182 (9th Cir. 2012) (“In a true transformation, such as the parody in *Campbell*, ‘it is more likely that the new work will not affect the market for the original....’”) (quoting *Campbell*, 510 U.S. at 591). As Judge Leval explained, transformative uses may include “criticizing the quoted work, exposing the character of the original author, proving a fact, or summarizing an idea argued in the original in order to defend or rebut it.” Leval, 103 Harv. L. Rev. at 1111. *Boldly* does none of these things. It serves the same purpose as Seuss’s original books—namely, to entertain and inspire the reader with a parallel and visually similar story.

B. Mash-Ups Are Derivative Works Subject to the Ordinary Rules of Fair Use.

Significantly, the word “transform” nowhere appears within the fair use provision of the Copyright Act. *See* 17 U.S.C. § 107. But it *is* found within the Act’s definition of derivative work. *Id.* § 101. In pertinent part, that definition provides 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....*

Id. (emphases added). A work that transforms or adapts an earlier work to make a new work, like *Boldly*, is therefore a derivative work under the Copyright Act. But just because a secondary work is a derivative work, it does not necessarily mean that the secondary work is a transformative use of the primary work under the first factor of the fair use analysis.

DSE argued to the district court that a finding of fair use in this case would undermine its exclusive right to authorize derivative works. The district court however, brushed this argument aside, opining that

[a]lthough Defendants certainly borrowed from *Go!*—at times liberally—the elements borrowed were always adapted or transformed. The Court therefore concludes ... that Defendants’ work, while commercial, is highly transformative.

ER19. Under the district court’s troubling logic, because *Boldly* “adapted” and “transformed” Seuss’s originals—that is, because it is a *derivative* of Seuss’s originals—it did not infringe DSE’s derivative work rights. But the fact that a copyrighted work is altered to some degree—including by virtue of its being combined with another copyrighted work—is not a sufficient basis to conclude that a work is transformative for purposes of fair use. If so, every derivative work would presumably qualify as a fair use, regardless of whether it offered any new insight concerning the original.

Nor is there anything exceptional about mash-ups that would somehow privilege them over other species of derivatives for purposes of fair use. The district court’s opinion seemed to attach special significance to its characterization of *Boldly* as a “literary and pictorial ‘mash-up’” in observing:

This case presents an important question regarding the emerging ‘mash-up’ culture where artists combine two independent works in a new and unique way [I]f fair use was not viable in a case such as this, an entire body of highly creative work would be effectively foreclosed.

ER85. As the court itself seemed to appreciate, however, a mash-up can be understood simply as a work “‘created by combining elements from two or more sources’” ER80 (quoting *Merriam-Webster*, <https://www.merriam-webster.com/dictionary/mashup>). As such, mash-ups are not new and fit squarely within the definition of derivative work in the 1976 Copyright Act. *See* 17 U.S.C.

§ 101 (derivative work is work based on “one or more” preexisting works). Regardless of its label, a mash-up is subject to the ordinary requirements of fair use—and if it is not a fair use, requires a license from the copyright owner(s). *Cf. Campbell*, 510 U.S. at 570 (“[L]ike other uses, parody has to work its way through the relevant factors.”).

Illustrating the point, as shown above, the MPAA’s members regularly license and derive revenue from secondary works that combine copyrighted characters and properties in much the same manner as *Boldly* and can fairly be described as mash-ups. Indeed, the blending of characters is a well-established practice, particularly in the comic book genre. The example above of *Amazon*, featuring an amalgam of DC Comics’ Wonder Woman character with Marvel’s Storm, is just one of many licensed character mash-ups between those two competitors. The idea of merging separate copyrighted works has been translated to many categories of creative endeavor, including film and television, as shown above. The district court’s reference to an “emerging mash-up culture” is simply misplaced.

C. Defendants’ Commercial Intent Should Have Weighed More Heavily Against the Unauthorized Uses.

It is undisputed that defendants took DSE’s works to produce their own marketable Seuss-based storybook—featuring a Seuss-based title that they thought would amount to “printing money”—and anticipated that they could sell “posters,

mugs, and all the merchandise that will push this thing over the top.” ER6-7 (quoting one of the defendants). To this end, they ran a Kickstarter campaign that raised tens of thousands of dollars to fund their production costs. ER9. Defendants speculated that DSE would want to publish the book themselves when they found out about it, rewarding defendants with ““a nice payday.”” Pl.’s Br. at 7-8 (quoting defendant). Defendants’ intended publisher for *Boldly* described the book’s target market as “[g]raduates and parents of graduates (college, high school, 8th grade); fans of Star Trek; fans of Dr. Seuss.” *Id.*, ER30-31. As the district court confirmed, “there is no question that Defendants created their work for profit.” ER81, ER18.

In *Campbell*, the Supreme Court observed that when the challenged use has “no critical bearing on the substance or style of the original,” the “commerciality[]” of the use “loom[s] larger.” 510 U.S. at 580. Here, despite the overt intent to capitalize on Seuss’s famous books and artwork, the district court concluded that defendants’ money-making purpose counted only “slight[ly]” against fair use. *See* ER81, ER18. The court did not adequately consider the for-profit nature of the use, instead overweighing its transformative finding to discount defendant’s commercial motive. The court erred in minimizing such blatant commercial exploitation of DSE’s copyrighted works without a transformative purpose.

II. The Critical Fourth Factor of Market Harm Weighed Decisively in Plaintiff's Favor.

Especially in light of the nontransformative nature of *Boldly*, the district court failed to appreciate the full significance of market harm under the fourth factor, traditionally understood to be a critical component of the fair use inquiry. *See Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566 (1985); *Monge*, 688 F.3d at 1180 (citing *Harper & Row*, 471 U.S. at 566); *see also Campbell*, 510 U.S. at 591 (superseding work serving as a market replacement likely to cause market harm). The district court departed from the express directive of section 107, as well as the Supreme Court's guidance, to conclude that *Boldly*—a derivative work that defendants sought to sell in the same “graduation gift” market as *Go!*—posed no threat of market substitution.

A. The District Court Misapplied the Test for Market Harm.

After ruling twice at the preliminary motion stage that the fourth factor appeared to favor DSE,⁹ the district court reversed course on summary judgment, concluding that the fourth factor was instead “neutral” and the overall fair use analysis now tipped in *Boldly*'s favor. ER34-35. Based on its erroneous conclusion that ComicMix's copying was “transformative,” the court rejected any presumption of market harm arising from defendants' unauthorized work, applying

⁹ *See* ER58 (“Defendant's production of *Boldly* may result in an adverse impact on Plaintiff's derivative market”); ER84 (“[O]n balance, th[e fourth] factor ... weighs in favor of Plaintiff.”).

questionable logic to support its ultimate determination that *Boldly* would not encroach on DSE’s market for Seuss derivatives. ER24-34.¹⁰

As detailed below, DSE offered compelling evidence of an extensive licensing program for Seuss works, including licensing of exactly the sort of derivative use at issue here. But the district court declined to credit these facts, concluding that DSE had failed to demonstrate adverse consequences resulting from sales of the specific work at issue. In effect, the court held that because DSE could not quantify the future financial impact of defendants’ unpublished book, there could be no cognizable harm to DSE under the fourth factor. ER31-32 (“Plaintiff has introduced no evidence concerning the likely incidence of such purchases or the possible impact—if any—on its considerable licensing revenues.”).

This is not a correct application of the law. Section 107 requires courts evaluating a claim of fair use to consider “not only the extent of market harm caused by the particular actions of the alleged infringer, but also ‘whether unrestricted and widespread conduct of the sort engaged in by the defendant ... would result in a substantially adverse impact on the potential market’ for the

¹⁰ *Campbell* instructs that when a use is sufficiently “transformative,” market substitution is less certain, so a court should not “so readily infer[]” market harm. 510 U.S. at 591. In referencing *Campbell* on this point, however, the district court appeared to confuse the Supreme Court’s observation concerning the *presumption* of harm with *burden of proof* regarding market harm. See Pl.’s Br. at 48-50.

original.” *Campbell*, 510 U.S. at 590 (quoting Nimmer § 13.05[A][4]); *see also* 17 U.S.C. § 107(4). In other words, the court is to consider not only the defendant’s specific use, but the broad and general consequences of allowing unauthorized uses such as the one at issue to continue.

Accordingly, in addition to the existing market for the original work, for purposes of assessing market harm courts are to consider the market for uses “that creators of original works would in general develop or license others to develop.” *Id.* at 592. Recognizing that “the licensing of derivatives is an important economic incentive to the creation of originals,” *id.* at 593, the Supreme Court has directed lower courts evaluating fair use to “take account not only of harm to the original but also of harm to the market for derivative works.” *Id.* at 590 (quoting *Harper & Row*, 471 U.S. at 569). This guidance makes clear that the adverse impact to be considered is not nearly as limited as the district court held. As this Court has elaborated, in assessing market harm, the reviewing court is to weigh “any impact on ‘traditional, reasonable, or likely to be developed markets.’” *Seltzer*, 725 F.3d at 1179 (quoting *Ringgold v. Black Entm’t Television, Inc.*, 126 F.3d 70, 81 (2d Cir. 1997)) (emphasis added). Here, the court should have considered not only the existing market for *Go!*, but also DSE’s potential market for an authorized *Star Trek*-themed derivative.

B. The Evidence Before the Court Was More Than Enough to Establish Market Harm.

DSE produced substantial, convincing evidence to establish that *Boldly* could adversely impact DSE's thriving market for *Go!* and Seuss-based derivative works. *Go!* is an enduring bestseller that is frequently purchased as a gift for graduates. ER5. The undisputed evidence demonstrated that defendants' anticipated publisher planned to target the same consumers—families of graduates—that make up much of *Go!*'s buyer base. *Boldly* was clearly poised to supplant the market for *Go!*.

It is also clear that *Boldly* would encroach upon DSE's licensing market for Seuss derivatives. In this regard, it should have been conclusive for DSE simply to establish that copyright owners can and do authorize derivative works based on literary copyrights and characters within them, including derivatives in the form of books. But DSE went well beyond this, submitting uncontroverted evidence that it has licensed a host of *Go!* derivatives, and has also collaborated with other copyright holders “to develop new works and products that have combined appeal to larger audiences,” including works that could be termed “mash-ups.” ER5-6, ER31-32. For example, DSE collaborated with the Jim Henson Company to create a television and book series featuring “muppetized” versions of Seuss characters and, in another example, worked with a different copyright proprietor to produce a

“Grinch Panda Pop” video game. ER6, ER31-32.¹¹ The evidence indisputably showed that DSE administers a robust licensing program for Seuss derivatives, including *Go!*-based derivatives.

Fair use cases rarely present such a clear example of a defendant’s intent to usurp the very market enjoyed by the original copyrighted work. But the district court nonetheless determined that the fourth factor was “neutral,” rather than weighing definitively against a finding of fair use. According to the court, because *Boldly* was “targeted at those who have an appreciation of both” Seuss and *Star Trek*, DSE, whose products are aimed at Seuss fans—fans who might also like *Star*

¹¹ The district court seemed to infer from a style guide issued by DSE to some licensees, which prevented the mixing of Seuss characters with others, that DSE would never have licensed a use such as ComicMix’s. ER30. But the record is clear that DSE did not apply such rules to every licensee and in fact has at times authorized mash-up type works. ER6, ER31-32. Even if DSE had considered and decided against a *Star Trek*-themed Seuss project, however, such a determination should not have counted against DSE in the fair use analysis. “[E]ven an author who ha[s] disavowed any intention to publish his work during his lifetime [i]s entitled to protection of his copyright, first, because the relevant consideration [i]s the “potential market,” and second, because he has the right to change his mind.” *Monge*, 688 F.3d at 1181 (quoting *Worldwide Church of God v. Phila. Church of God, Inc.*, 227 F.3d 1110, 1119 (9th Cir. 2000)); *Henley v. DeVore*, 733 F. Supp. 2d 1144, 1162 (C.D. Cal. 2010) (same); see also *Castle Rock Entm’t, Inc. v. Carol Publ’g Grp., Inc.*, 150 F.3d 132, 145-46 (2d Cir. 1998) (“Although [plaintiff] has evidenced little if any interest in exploiting this market for derivative works ... the copyright law must respect that creative and economic choice.”). A copyright proprietor is entitled to be selective in its licensing programs so as to maximize the value of its library of works. In this regard, MPAA’s members make decisions every day concerning which types of exploitations will enhance, rather than detract from, their copyrighted properties.

Trek—was unlikely to experience market harm. ER29-30. And, while acknowledging that “it is possible that some would-be purchasers of *Go!* would purchase *Boldly* for a Trekkie graduate,” the court nevertheless expressed concern about a perceived

dearth of evidence or expert testimony permitting the Court to extrapolate the likely effect—if any—that *Boldly* may have on Plaintiff’s sales of *Go!*... Plaintiff has introduced no evidence tending to show that it would lose licensing opportunities or revenues as a result of publication of *Boldly* or similar works.

ER31-32.

The high bar imposed by the district court for establishing market harm goes well beyond the requirements of section 107 or the Supreme Court’s exegesis of that section in *Campbell*. Section 107 speaks broadly of “potential markets,” not proof of lost sales or licensing opportunities. It does not require the copyright owner to render an accounting of future damage attributable to the specific unauthorized use. Rather, it is sufficient that the accused work is shown to occupy the market for the original or a market that the creator of the original “would in general develop or license others to develop.” *Campbell*, 510 U.S. at 592; *see also Seltzer*, 725 F.3d at 1179. As noted above, the pivotal question is “whether unrestricted and widespread conduct of the sort engaged in the defendant ... would result in a substantially adverse impact on the potential market’ for the original.”

Campbell, 510 U.S. at 590 (internal quotation omitted); *Seltzer*, 725 F.3d at 1179 (same).

Here, there can be no question that if defendant and others are free to produce and market derivatives like *Boldly* without permission, DSE would have little left to license. The same is true for the MPAA's members, who depend upon the ability to license secondary works and products—including mash-ups of copyrighted properties—to recoup their substantial investments in the films, television shows and other works that they produce, as well as to fund their future projects.

CONCLUSION

The MPAA respectfully requests that this Court reverse the judgment below.

Dated: August 12, 2019

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

This brief complies with the type volume limitation of Federal Rules of Appellate Procedure 29(a)(5) and 32(a)(7) and Circuit Rule 32-1(a) because it contains 5,485 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(f) and Circuit Rule 32-1(c). The brief also complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type-style requirements of Federal Rule of Appellate Procedure 32(a)(6) because this brief has been prepared in a proportionally spaced typeface using Microsoft Office Word in Times New Roman, 14 point.

Dated: August 12, 2019

/s/ Jacqueline C. Charlesworth

CERTIFICATE OF SERVICE

I hereby certify that on August 12, 2019 I caused to be filed electronically the foregoing with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit, using the appellate CM/ECF system. I further certify that to my knowledge all participants in the case are registered CM/ECF users so service on them will be accomplished through the CM/ECF system.

Dated: August 12, 2019

/s/ Jacqueline C. Charlesworth

No. 19-55348

**IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT**

DR. SEUSS ENTERPRISES, L.P., a California Limited Partnership,

Plaintiff-Appellant,

v.

COMICMIX LLC, a Connecticut limited liability company;
MR. GLENN HAUMAN, an individual; MR. DAVID JERROLD
FRIEDMAN A/K/A DAVID GERROLD, an individual;
and MR. TY TEMPLETON, an individual,

Defendants-Appellees.

On Appeal from the United States District Court
for the Southern District of California (Case No. 16-cv-02779)
The Hon. Janis L. Sammartino, United States District Judge, Presiding

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IN SUPPORT OF PLAINTIFF-APPELLANT AND REVERSAL**

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 26.1 of the Federal Rules of Appellate Procedure, *amicus curiae* the Copyright Alliance states that it does not have a parent corporation and that no publicly held corporation owns 10% or more of *amicus*'s stock.

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STATEMENT OF INTEREST¹

The Copyright Alliance is a non-profit, non-partisan, public interest and educational organization that represents the copyright interests of more than 1.8 million creators, including more than 9,000 authors and 13,000 organizations across the United States. The Copyright Alliance is dedicated to advocating policies that promote and preserve the value of copyright and to protecting the rights of creators and innovators.

The Copyright Alliance represents individual creators including authors, photographers, performers, artists, software developers, musicians, journalists, directors, songwriters, game designers, and others. The Copyright Alliance also represents the interests of publishers, motion picture studios, software companies, recording companies, sports leagues, broadcasters, guilds, and unions. These diverse members all rely on copyright law to protect their ability to pursue a livelihood based on creativity and innovation. They depend on an appropriately balanced fair use doctrine that furthers the purposes of copyright law, including the

¹ All parties have consented to the filing of this brief. Pursuant to Federal Rule of Appellate Procedure 29(a)(4)(E), the Copyright Alliance states that no counsel for any party authored this brief in whole or in part, no party nor party's counsel made a monetary contribution intended to fund preparing or submitting this brief, and no person other than the Copyright Alliance, its members, or its counsel contributed money that was intended to fund preparing or submitting this brief.

rights to control the reproduction and distribution of their works (as well as derivative works).

SUMMARY OF ARGUMENT

The district court’s decision bungled the fundamentals of copyright law and the fair use doctrine. While the decision below missed the mark in a number of important respects, the Copyright Alliance concentrates here on the district court’s most dramatic departure from this Court’s precedent: its erroneous analysis of the critical fourth factor in the fair use test, which focuses on market harm. When analyzing the fourth factor, the district court created an unduly demanding bright-line standard under which plaintiffs will be required to present evidence that a challenged use causes “substantial harm” to the market for their protected works. That rule finds no support in existing case law, and, if left to stand, would upset the goals of the Copyright Act by protecting infringers whose conduct is likely to adversely affect the market for a creator’s protected works. The district court then compounded its error by making a separate series of missteps when identifying and analyzing the relevant market and the corresponding harms.

Taken together, these errors led the court to the wrong conclusion on the facts of this case. The instant dispute concerns Dr. Seuss Enterprises, L.P.’s (“DSE”) claim that ComicMix LLC (“ComicMix”) infringed DSE’s copyright when it created and sought to sell a book titled “Oh the Places You’ll Boldly Go!”

(“*Boldly*”), which used copyrighted elements from Dr. Seuss’s “Oh the Places You’ll Go!” (“*Go!*”) and mixed them with copyrighted elements from the television series *Star Trek*. Applying an incorrect legal standard and misconstruing the nature of the relevant markets and harms, the district court erroneously found that ComicMix’s “slavish copy[ing]” of *Go!* was a fair use.

Congress intended the fair use doctrine to be applied carefully and in a manner that respects both the purposes of copyright law and creators’ ability to preserve derivative markets for their work. The Copyright Alliance has long recognized that the fair use doctrine, when applied in that manner, promotes creativity and the public good. But the district court’s application of the fair use doctrine departed markedly from these important principles. *See infra* § I.

Specifically, we highlight three critical errors the district court made. First, the district court adopted an unprecedented bright-line standard, requiring plaintiffs to introduce evidence that the challenged use will “substantially harm” the market for their protected works. Although the district court cited *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994), as support for its novel test, *Campbell* expressly eschews bright-line rules and prescribes no such standard. If permitted to stand, the district court’s test—which requires a creator to have already established a widespread market before she can protect her rights in that market—would create significant practical obstacles for both smaller creators (who may be in fewer,

smaller markets) and for aspiring creators (who may have a variable track record of success and more speculative market data). *See infra* § II.

Second, the district court erred by failing to meaningfully consider the potential markets that DSE *could* enter and the significant harm that *Boldly* and similar works may cause creators in those markets. The evidence of potential market harm was particularly strong in this case, especially given that DSE had previously generated significant revenues from mashups similar to *Boldly* and had active plans to develop additional licensing and derivative works based on Dr. Seuss's books. Relying on inapposite precedent and disregarding substantial record evidence, the district court erroneously dismissed the probable harm to DSE's not-yet-tapped markets as merely "hypothetical." *See infra* § III.

Third, the district court placed copyright owners in an impossible position by penalizing them for both non-entry into a market and successful entry into other, existing markets. This unfair double-standard would effectively force copyright owners who wish to protect their works to enter all markets while at the same time being careful not to be too successful in those markets. *See infra* § IV.

On one hand, the district court found that a creator's ability to show market harm is impaired when that creator has not yet entered the market for a certain derivative work. That finding ignored the fact that the Copyright Act protects creators' decisions about when—and whether—to enter a market at all. This error

resulted in an unduly narrow definition of the relevant market, and if left undisturbed would threaten creators large and small by penalizing them for failing to exploit available markets before an infringer does so. *See infra* § IV.A.

On the other hand, the district court also viewed a copyright owner's success in existing markets as weighing against a finding of market harm in derivative and potential markets, even though it was presumably DSE's success in those markets that attracted the defendant to exploit DSE's works in the first place. A fair use defense should not be easier to establish merely because the original work is popular; to hold otherwise would penalize creators for their success. *See infra* § IV.B.

The errors identified above are of significant concern for the members of the Copyright Alliance because they pose threats to all creators who may be called upon to defend against meritless claims of fair use. Small creators (whose future market success will be speculative) will seldom be able to show "substantial" market harm. Nor will larger, established creators be able to do so, given that their success will be held against them. The district court's analysis will also lead to judicial second-guessing of creators' choices about when, where, and how to exploit their works, in plain contravention of the Copyright Act. *See infra* § V.

The district court's decision should be reversed.

ARGUMENT

I. The Fair Use Doctrine Must Be Carefully Balanced Against Creators' Rights in Order to Advance the Purposes of Copyright Law.

As the Supreme Court has explained, “the Framers intended copyright itself to be the engine of free expression. By establishing a marketable right to the use of one’s expression, copyright supplies the economic incentive to create and disseminate ideas.” *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 558 (1985). Thus, by protecting original works from copying by secondary users, the law avoids disincentivizing creators from producing such works.

That said, Congress has determined that certain otherwise-infringing uses of copyrighted materials may be allowed under the fair use doctrine, which “permits courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.” *Stewart v. Abend*, 495 U.S. 207, 236 (1990) (quotation marks omitted). The current fair use doctrine, codified at 17 U.S.C. § 107, instructs courts to consider four factors: (1) “the purpose and character of the [challenged] use”; (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”; and (4) “the effect of the use upon the potential market for or value of the copyrighted work.” The Supreme Court has indicated that the fourth factor “is undoubtedly the single most important

element of fair use” because it advances the notion that fair use is ““limited to copying by others which does not materially impair the marketability of the work which is copied.”” *Harper & Row*, 471 U.S. at 566–67 (citation omitted); *see* 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.05[A][4], at 13-202 to -202.1 & nn.217.1, 217.2 (2019).

Importantly, Congress codified the fair use doctrine with an eye towards ensuring that creators retain the ability to explore derivative and licensing markets for copyrighted works. *Harper & Row*, 471 U.S. at 568. Indeed, courts have made clear that the fourth factor in the fair use test “must take account not only of harm to the original but also of harm to the market for derivative works.” *Campbell*, 510 U.S. at 590 (quoting *Harper & Row*, 471 U.S. at 568); *see Monge v. Maya Magazines, Inc.*, 688 F.3d 1164, 1181 (9th Cir. 2012). This protection of derivative markets is grounded in an author’s clear and exclusive right “to prepare derivative works based upon the copyrighted work.” 17 U.S.C. § 106(2). Thus, courts have not hesitated to find that the fourth factor weighs against fair use when there is evidence that the conduct at issue will cannibalize derivative markets that Congress intended to reserve for creators. *See Twin Peaks Prods., Inc. v. Publ’ns Int’l, Ltd.*, 996 F.2d 1366, 1377 (2d Cir. 1993) (fourth factor counseled against a finding of fair use where defendant produced books detailing plots of plaintiff’s TV show, thus “risk[ing] impairment of the market for” derivative books about the

TV show that had been produced by the plaintiff itself). As explained in detail below, the district court’s opinion contravenes Congress’s intent by erecting extremely high barriers for copyright owners who attempt to protect their rights in lucrative existing and potential derivative markets.

II. The District Court Imposed an Incorrect and Overly Heightened “Substantial Market Harm” Standard.

The district court, with little explanation, invented a heightened bright-line standard for showing market harm that finds no support in existing precedent. The district court’s test requires plaintiffs—not defendants, the proponents of the affirmative defense—to “introduce evidence tending to demonstrate that the challenged work will *substantially harm* the market for its Copyrighted Works.” 1ER 34²; *see* 1ER 25; 1ER 26; 1ER 29 (same standard).

According to the district court, the “substantial harm” test can be derived from the Supreme Court’s opinion in *Campbell*. *See* 1ER 25 (“Plaintiff [must] introduce ‘[e]vidence of substantial harm to it,’ *see Campbell*, 510 U.S. at 593.”). But the district court’s suggestion that *Campbell* created a “substantial harm” rule runs afoul of *Campbell* itself, which expressly held that fair use analysis “is not to be simplified with bright-line rules.” *Campbell*, 510 U.S. at 577; *see id.* at 590

² “ER” refers to the Appellant’s excerpts of record (ECF 8), filed August 5, 2019. The preceding numeral refers to the applicable volume of the excerpts. “Dist. Ct. Dkt.” refers to the district court’s docket below (No. 16-cv-02779).

n.21 (noting that the fourth factor is subject to a “sensitive balancing of interests” (quotation marks omitted)). Indeed, the Supreme Court disavowed the black-and-white approach employed by the district court by noting that “[m]arket harm is a matter of degree, and the importance of this factor will vary . . . with the amount of harm.” *See id.* at 590 n.21.

The district court’s reliance on a single snippet of *Campbell* lends no support to its newfound standard. While the *Campbell* Court did suggest that “[e]vidence of substantial harm [to a derivative market] would weigh against a finding of fair use,” *id.* at 593, that fragment of *Campbell* does not impose a “substantial harm” threshold. Rather, *Campbell*’s discussion of the fourth factor in the fair use test suggests that there is no bright-line rule for the amount of harm that must be shown. Instead, the question is what the evidence shows about the “likely effect” of the allegedly infringing use and the potential for the challenged use to inflict a “cognizable market harm” on the creator. *Id.* at 590-91. The *Campbell* Court merely articulated the common sense sentiment that evidence of substantial harm would make it *more* difficult for a defendant to assert fair use. That does not mean that some lesser showing of harm would render the use fair. *See 4 Nimmer on Copyright* § 13.05[A][4] at 13-204 to -206 (noting that *Campbell* “is silent” on how to go about filling the “evidentiary hole”).

In addition to misstating the controlling standard, the district court also placed the burden of satisfying that standard on the wrong party. The district court held that, because it found *Boldly* transformative and thus there was no presumption of market harm, the burden shifted to the plaintiff to introduce evidence of substantial harm to it under a “preponderance of the evidence” standard. 1ER 29. In so holding, the district court cited a Supreme Court case that limited such burden shifting to instances of *non-commercial* secondary use. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 451 (1984). But *Boldly* does not claim to be non-commercial, and in fact the district court held that it *is* commercial. 1ER 19. In any event, fair use is an affirmative defense, *see Campbell*, 510 U.S. at 590, and thus the ultimate burden necessarily remains with the alleged infringer. The Supreme Court has indicated that a silent record on market harm would “disentitle[]” an alleged infringer to summary judgment on fair use, *id.* at 594, and that a fair use “proponent would have difficulty carrying the burden of demonstrating fair use without favorable evidence about relevant markets,” *id.* at 590. These statements confirm that the burden with respect to the fourth factor *cannot* lie exclusively with the copyright owner. *See Monge*, 688 F.3d at 1170-71.

The appropriate case-by-case inquiry, as articulated by both the Supreme Court in *Campbell* and the Ninth Circuit (and other courts of appeals), is whether,

“if the challenged use should become widespread, it would *adversely affect the potential market* for the copyrighted work.” *Harper & Row*, 471 U.S. at 568 (emphasis added) (internal quotation marks omitted); *accord VHT, Inc. v. Zillow Grp., Inc.*, 918 F.3d 723, 744 (9th Cir. 2019), *petition for cert. filed*, 87 U.S.L.W. 3486 (U.S. June 13, 2019) (No. 18-1540). The burden of proving a lack of market harm lies with the fair use claimant, and to prevail on the fourth factor a copyright owner need only show that a future widespread use of the allegedly infringing work could “adversely affect” the owner’s potential markets. *See VHT*, 918 F.3d at 744. Showing an adverse effect does not require any particular quantification of market harm, and as such plaintiffs need not present robust market data on sales or licensing (or indeed any evidence at all that actual harm has accrued). *See, e.g., Ringgold v. Black Entm’t Television, Inc.*, 126 F.3d 70, 80-82 (2d Cir. 1997) (finding plaintiff not required to show a decline in the number of licensing requests to show adverse impact on a potential market); *Balsley v. LFP, Inc.*, 691 F.3d 747, 761 (6th Cir. 2012); *see also Campbell*, 510 U.S. at 590 n.21 (noting that “[m]arket harm is a matter of degree”). Moreover, a showing of quantifiable harm is not needed—and indeed would be impossible to make—where, as here, the infringing work has not yet entered the market. *See infra* at 15-18. Imposing a requirement that a plaintiff show “substantial” market harm therefore contravenes controlling precedent.

The district court, in creating the bright-line and quantitative³ “substantial harm” standard and imposing an unfounded burden, failed to consider how copyright owners who have explored few or no derivative markets at the time of an infringement could provide the type of detailed and expansive market harm showing that it required under its new rule (particularly when an infringement is caught early, as a copyright owner no doubt hopes it would be). The district court’s bright-line standard would be problematic for established creators who have plans to expand into a given market, but who have not yet acted on them. And the district court’s error also raises concerns for smaller or newer creators, who may lack the types of licensing and derivative market data that would be necessary to satisfy the “substantial harm” standard or who otherwise lack the resources to present such data (particularly given that it should not be their burden to do so).⁴ If this Court were to credit the district court’s legal analysis, the fourth fair use factor would become almost meaningless by effectively permitting the

³ For example, the district court found instructive that *Go!* has sold over 12.5 million copies whereas defendants have “raised \$29,575 from 727 backers for *Boldly* over a two month period” and had an order for only 5,000 copies of *Boldly*. 1ER 31.

⁴ One can readily imagine the first-time author whose only market data consists of modest profits from a first novel, with no existing licensing or sequel revenues, failing to show “substantial” harm after a playwright sells a script that co-opts the author’s central plot points and characters. While the author may be able to make some showing about the types of revenue authors can expect from book adaptations, she may struggle to establish any of these harms as “substantial.”

rampant copying of protected works in markets that the creator has not yet had the chance to exploit.

III. The District Court Erroneously Focused on Existing Rather than Potential Markets and Therefore Failed to Appreciate the Significance of the Potential Market Harms to Plaintiff.

In addition to misstating the relevant standard, the district court also failed to meaningfully consider the relevant markets that DSE could potentially enter—focusing instead only on those markets it had *already* entered. This error in turn resulted in an overly narrow analysis that understated or ignored much of the potential harm that an infringing work can cause creators in as-yet-untapped markets.

The district court’s analysis reads an important term out of the Copyright Act. The market harm analysis must include “the effect of the use upon the *potential* market for or value of the copyrighted work.” 17 U.S.C. § 107(4) (emphasis added). This Court has repeatedly underscored the importance of looking to a copyright owner’s untapped potential markets. *See, e.g., A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1017 (9th Cir. 2001); *VHT*, 918 F.3d at 744; *Monge*, 688 F.3d at 1181. Ignoring this Court’s admonition, the district court’s opinion merely paid lip service to the numerous harms that DSE may suffer in potential markets as a result of defendant’s conduct. Instead, the district court’s opinion focused primarily on the harms that DSE may suffer in the existing market

for *Go!* sales. Though the district court claimed to have considered plaintiff's potential derivative markets, in practice it dismissed what it called a "hypothetical" harm and determined that the available evidence did not permit it to "extrapolate the likely effect" of *Boldly* on *Go!*'s potential derivative markets. 1ER 26, 31.

In so doing, the district court glossed over a mountain of evidence suggesting that DSE fully intended to exploit potential derivative markets. DSE presented the district court not only with evidence of a vast existing licensing program, but also of its plans to develop licensing and derivative products based on Dr. Seuss's works. *See, e.g.*, Dist. Ct. Dkt. No. 119, at 13 (DSE's opposition to defendants' motion for summary judgment) (suggesting, with citation to record evidence, that DSE "has partnered, and will partner, with other rights holders on licensed 'collaborations' that combine Dr. Seuss's works with another property to create new works" and that *Boldly* was "***exactly*** the type of derivative collaboration that DSE might license" (emphasis in original)). Indeed, the release of *Boldly* threatens two significant potential revenue streams from these not-yet-exploited markets—(1) licensing revenues that DSE could earn from entering into its own arrangement with the owner of the Star Trek property, and (2) profits from direct-to-consumer sales of derivative works. These potential harms are not speculative or hypothetical; on the contrary, DSE's prior successful experience in the generalized market for derivative works demonstrates that DSE's as-yet

untapped market for a Seuss-Star Trek mashup would likely generate considerable revenues that may well be slowed to a trickle if *Boldly* hits the market.⁵

In an attempt to bolster its cursory analysis, the district court relied on *Perfect 10* and *Equals Three* for the proposition that “hypothetical” market harms need not be credited. But neither case supports the district court’s backhanded dismissal of DSE’s significant potential-market harms.

In *Perfect 10, Inc. v. Amazon.com, Inc.*, this Court considered whether Google’s use of “thumbnails” of certain images owned by Perfect 10 was a fair use. 508 F.3d 1146, 1168 (9th Cir. 2007). The Court briefly considered whether Google’s use of the thumbnails would affect Perfect 10’s secondary market for the downloading of reduced-size images on cellphones. It concluded that any potential harm to this secondary market was “hypothetical” given the absence of evidence that Google users had actually “downloaded thumbnail images for cell phone use.” *Id.* In seeking to leverage *Perfect 10* for its own purposes, the district court here failed to appreciate two critical distinctions between that case and this one. First

⁵ Indeed, even the district court recognized that DSE has often successfully “collaborate[d] with other intellectual property holders . . . that combine Dr. Seuss’ works with those holders’ creations to develop new works and products that have combined appeal to larger audiences.” 1ER 5-6. These prior successful *Go!* derivatives include *Go!: Oh Baby! Go, Baby!*; *Oh the Places I’ll Go! by ME, Myself*; *Oh, Baby, The Places You’ll Go!*; *Oh, the Places You’ll Go (Pop-up)*; *Oh, the Places I’ve Been! Journal*; and collaborative or mashup works such *Wubbulous World of Dr. Seuss*, *Grinch Panda Pop*, the *Comme des Garçons* clothing line, Dr. Seuss Funko figurines, and *The Cat in the Hat Knows a Lot About That*.

and most importantly, the record evidence of harm in this case is substantially stronger than the evidence in *Perfect 10*. DSE marshalled evidence suggesting that it was actively exploring the market for mashups and that the publication of *Boldly* would impair its revenue streams in that future market. *See supra* at 14. By contrast, the Ninth Circuit found that any harm to Perfect 10 from Google remained hypothetical because there was no finding that Google was in the market for thumbnail images for cell phone use. 508 F.3d at 1168. Second, Perfect 10 had already entered the market for thumbnails, whereas in this case, DSE has not yet entered the specific market for a Seuss-Star Trek mashup (despite having entered the more general derivative market via other Dr. Seuss collaborations). *Perfect 10*'s finding of fair use based on a record in which the plaintiff presented *no* evidence of harm within a secondary market it *had* entered long ago provides no support for the district court's finding of fair use despite DSE's *strong* evidence of expected harm within a specific secondary market it *had not* yet entered.

The court's reliance on *Equals Three, LLC v. Jukin Media, Inc.* is similarly unavailing. There, a secondary user took the copyright owner's videos and incorporated them into its own commentary videos. 139 F. Supp. 3d 1094, 1098-1101 (C.D. Cal. 2015). When considering whether the secondary user's videos might create a "substitute" for the copyright owner's works, the court found that the copyright owner had failed to present evidence suggesting that even "a single

viewer” had actually substituted the secondary user’s work for the copyright owner’s work or that the copyright owner had ever “lost a deal to license its videos.” *Id.* at 1108. Although the district court presented *Equals Three* as supporting its holding, that conclusion suffers from the same two flaws that undermine the district court’s *Perfect 10* analysis: (1) DSE’s evidence of harm is much stronger than the evidence presented in *Equals Three*, and, in any event (2) *Equals Three* turned on a lack of evidence in a case where the infringing product had already entered the market, unlike here where *Boldly* has not yet been published.

In short, *Perfect 10* and *Equals Three* support the notion that a failure to provide *any* evidence of harm to an actual market following prolonged infringement may make allegations of market harm too hypothetical. That principle has no bearing in this case, where DSE presented strong evidence of potential harm based on its prior involvement in the market for derivative Dr. Seuss works and where *Boldly* has not yet even entered the market.

This Court has long counseled that potential markets cannot be ignored when analyzing the fourth fair use factor, and this case shows why that principle is so important. On these facts—where past practice and record evidence strongly support the likelihood that the infringing use will cannibalize derivative markets reserved to the creator—an examination of potential rather than existing markets

should have been the centerpiece of the district court's analysis. But instead the district court elided that issue by focusing on existing markets and underestimating the potential harms to DSE's derivative untapped markets. Although there may be some cases where potential market harms are too speculative or hypothetical as to render the fourth factor neutral, this is not such a case. Indeed, if the extremely strong evidence of potential market harms to DSE in this dispute is not sufficient to shift the fourth factor to the plaintiff's column, it is difficult to imagine how *any* copyright holder could preserve its interests in not-yet-tapped derivative markets. For this reason, the members of the Copyright Alliance are gravely concerned. The district court's decision seriously jeopardizes their fundamental right to decide when and how to enter each of their potential markets without fear that fast-acting copycats will be given a greenlight to harvest their original creative works for commercial gain.

IV. The District Court's Analysis Creates a Dangerous Double Standard By Penalizing Creators Both for Entering Markets Too Slowly and for Entering Markets and Experiencing Too Much Success.

The district court's decision places copyright owners into a no-win situation by penalizing them for both entering new markets and not entering new markets. On one hand, the district court held that defendant's fair use defense was strengthened by the fact that DSE had not yet entered the derivative market for mashups that either combine Dr. Seuss characters with third-party characters or use

“Seuss-like rhymes” (1ER 32 n.8), and thus DSE could not show that *Boldly* endangered its future revenues in that market. *See infra* § IV.A. On the other hand, the district court held that defendant’s fair use defense was strengthened by the fact that DSE has entered the *general* derivative market and has experienced significant success, and thus that any harm from *Boldly* would be relatively small. *See infra* § IV.B. In addition to producing a double standard, this analysis stifles creative exploitation by flouting the right of copyright owners to decide when and whether to enter markets.

A. The District Court Failed to Appreciate the Right of Copyright Owners to Determine When and Whether to Enter Markets.

The district court’s analysis, if left to stand, would threaten the long-established right of creators to determine when—and whether—to enter markets at all. Copyright owners may wish to stagger entry into new markets, or financial necessity may dictate whether they can enter a particular market at any given time. Moreover, artistic considerations might compel a copyright owner to refrain from entering a derivative market, or even a primary market, at all.

Courts have uniformly protected artists’ copyrights whether they actively chose to enter certain markets or not. As this Court has stated, “even an author who had disavowed any intention to publish his work during his lifetime was entitled to protection of his copyright.” *Monge*, 688 F.3d at 1181 (quotation marks omitted). In *Monge*, a celebrity couple was able to show market harm despite the

defendant magazine's assertion that plaintiffs did not intend to sell publication rights in their wedding photos because this Court found that the magazine did not have "license to forever deprive them of their right to decide when, 'whether and in what form to release' the photos." *Id.* at 1182 (quoting *Harper & Row*, 471 U.S. at 553). Copyright owners also have the right to selectively enter certain derivative markets and not others. *See, e.g., Castle Rock Entm't, Inc. v. Carol Publ'g Grp., Inc.*, 150 F.3d 132, 145 (2d Cir. 1998) (finding infringement of the "Seinfeld" television show by a trivia game creator even though the creator "evidenced little if any interest in exploiting this market for derivative works"). As this Court has explained, the protection for an artist's unexploited markets, while not encompassing the purely hypothetical market, extends to all markets that are "traditional, reasonable, or likely to be developed." *Seltzer v. Green Day, Inc.*, 725 F.3d 1170, 1179 (9th Cir. 2013) (quotation marks omitted).

The district court erred in finding that DSE's decisions about how and when to enter certain markets made the derivative market in question unprotectable. The district court suggested that *Boldly* occupies a market "that [DSE] has not traditionally targeted or is likely to develop." 1ER 32 n.8. The district court drew this impermissible conclusion based on its examination of DSE's "Style Guide," which lists several constraints imposed on licensees who wish to use Dr. Seuss creations in a secondary work. *Id.* However, DSE's choice not to allow licensees

to put Dr. Seuss material with third-party characters or among “Seuss-like” rhymes, *id.*, reflects a protected decision about how a work will interact with the market. That choice should not have been used by the district court to cut off protection for a market that DSE has thus far declined to enter.

In sum, the district court’s ruling hinders future artists’ ability to meaningfully determine what markets they want to explore. Indeed, the district court’s approach risks forcing artists either to flood derivative markets to protect their economic and artistic interests or else face the likelihood of rampant, unauthorized derivative works if they choose to limit certain market exploitations. The Copyright Act does not present artists with this stark choice, and this Court should correct the error that threatens to impose it on copyright owners.

B. The District Court Improperly Considered Plaintiffs’ Market Success in Assessing the Potential Harm of the Infringing Use.

The district court also erred in considering DSE’s success in licensing Dr. Seuss’s work when assessing market harm. The district court found that there is “no evidence concerning the likely incidence of [purchases of *Boldly* by graduating students] or the possible impact—if any—on [DSE’s] considerable licensing revenues.” 1ER 31. The district court then turned to a discussion of the plaintiff’s robust sales, placement on best-seller lists, and significant licensing revenues. A copyright owner’s success, however, has no bearing on whether a secondary work has infringed her copyrights.

Neither the Copyright Act nor the relevant case law lends any support to the proposition that those who would seek to ride on the coattails of others' creativity for commercial gain should have a lesser burden when presenting a fair use defense because the original work has enjoyed success. And for good reason. Such a requirement would punish copyright owners for creating successful works—undercutting the creation-enhancing purpose of the Copyright Act.

The practical effect of the district court's "substantial harm" test is that rebutting a fair use defense will now be more challenging for successful creators. This is so because any market harm caused by an infringing user's work would—in quantifiable terms—pale in comparison to the revenues attributable to the copyright owner's success. But, as explained above, that fact alone cannot be used to immunize an otherwise-infringing use. The district court's fixation on the original copyright owner's success risks turning market harm into a purely quantitative litmus test for creators raising infringement claims.

V. The District Court's Errors Matter to the Members of the Copyright Alliance Because They Pose Serious Threats to Creators Attempting to Defend Against Infringement.

The Copyright Alliance represents creators big and small, and the district court's reasoning threatens both.

Requiring plaintiffs in an infringement action to show "substantial" market harm creates a particularly untenable threshold for smaller and/or less successful

creators, whose market success may be variable or speculative. Moreover, if the district court's ruling is left undisturbed, smaller authors who may not be able to afford to enter all derivative markets at once will face an uncertain future, unsure if they retain rights to exploit markets left untapped.

The district court's ruling similarly threatens the Copyright Alliance's larger and/or more successful members. In addition to penalizing success, *see supra* § IV.B, the district court's test does not explain how much market usurpation is required for a showing of "substantial" harm when sales are strong and growing. Under the district court's ruling, creators are left with nothing but instinct to determine the answer.

Moreover, the district court's ruling will force artists of all sizes to confront choices that are not imposed by the Copyright Act. Should they prematurely flood the market with derivative works, rather than carefully considering how and when to enter such markets? Or should they incur the expense of raising seriatim lawsuits over time, as they can only show market harm when they have already entered a market? Neither is good policy, and both possibilities are anathema to the goals of the Copyright Act. Indeed, copyright law specifically protects the ability to make choices of when, where, and how to publish one's work. *See Monge*, 688 F.3d at 1181-82. This is because the concept of choice is key to all creators' works and artistic identities. The decisions copyright owners make about

what derivative markets to enter—and at what speed—are careful and deliberate choices that reflect significant practical, economic, and artistic thought. Entering new markets may take time, but copyright law ensures that creators are afforded that time. The district court’s market harm analysis threatens the ability of copyright owners to take that time, making it harder for them to enforce their rights when they do so. The decision thus diminishes Congressionally crafted incentives to create new works—a result which harms all copyright owners and, in turn, the public at large.

CONCLUSION

For all of these reasons, the decision below should be reversed, and this Court should hold that there was no fair use as a matter of law.

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

I hereby certify that this brief complies with the type-volume limitations of Fed. R. App. P. 32(a)(7)(B) because this brief contains 5,819 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f), as counted by Microsoft® Word 2007, the word processing software used to prepare this brief.

This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6) because this brief has been prepared in a proportionally spaced typeface using Microsoft® Word 2007, Times New Roman, 14 point.

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CERTIFICATE OF SERVICE

I hereby certify that, on August 12, 2019, a true and correct copy of the foregoing Brief of *Amicus Curiae* was timely filed in accordance with Fed. R. App. P. 25(a)(2)(D) and served on all counsel of record via CM/ECF.

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No. 19-55348

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IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

DR. SEUSS ENTERPRISES, L.P., a California limited partnership
PLAINTIFF-APPELLANT,

v.

COMICMIX LLC, a Connecticut limited liability company; GLENN
HAUMAN, an individual; DAVID JERROLD FRIEDMAN a/k/a DAVID
GERROLD, and individual; and TY TEMPLETON, an individual,
DEFENDANTS-APPELLEES.

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On Appeal from the United States District Court
for the Southern District of California
16-CV-2779 JLS (BGS)

Honorable Janet L. Sammartino, District Court Judge
----- ♦ -----

BRIEF AMICI CURIAE OF
PROFESSORS PETER S. MENELL, SHYAMKRISHNA BALGANESH,
AND DAVID NIMMER IN SUPPORT OF PETITIONERS
----- ♦ -----

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Federal Rule of Appellate Procedure 26.1, the undersigned states that none of the amici are a corporation.

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STATEMENT OF COMPLIANCE WITH RULE 29

This brief is submitted pursuant to Rule 29(a) of the Federal Rules of Appellate Procedure with the consent of the parties. No party's counsel authored the brief in whole or in part; no party or party's counsel contributed money that was intended to fund preparing or submitting the brief; and no person other than the amici curiae or their counsel, contributed money that was intended to fund preparing or submitting the brief. Petitioners and Respondents have consented to the filing of this brief through blanket consent letters filed with the Clerk's Office.

Dated: August 12, 2019

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INTEREST OF AMICI CURIAE

The authors of this brief are law professors at the University of California and the University of Pennsylvania who study and teach intellectual property law.

Peter S. Menell holds a law degree and a doctorate degree in economics. He has focused much of his research and teaching on intellectual property law. Soon after joining the University of California at Berkeley School of Law faculty in 1990, he laid the groundwork to establish the Berkeley Center for Law & Technology (BCLT), which he co-founded in 1995. Professor Menell has authored or co-authored more than 100 articles and 15 books, including leading casebooks on intellectual property. He has organized more than 60 intellectual property education programs for the Federal Judicial Center, including an annual multi-day program on “Intellectual Property in the Digital Age” since 1998. He has advised the U.S. Congress, federal agencies, and state Attorneys General on a wide range of intellectual property and antitrust matters. He served as Vice-Chair of the National Academies of Sciences project on copyright and innovation. He presented the Copyright Society of the U.S.A.’s 42nd Annual Donald C. Brace Memorial Lecture in 2011.

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David Nimmer teaches copyright and other subjects at the UCLA School of Law. Since 1985, he has authored NIMMER ON COPYRIGHT, the standard treatise on the subject which his father launched in 1963. Besides publishing fifty articles, Professor Nimmer has lectured about U.S. and international copyright across the world. In 2019, he delivered the Manges Lecture at Columbia University and the 50th Year Commemoration for the Los Angeles Copyright Society.

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SUMMARY OF ARGUMENT

Copyright law’s fair use defense is one of the most vexing doctrines in all of the law. From its emergence nearly two centuries ago through the present, courts have struggled with and lamented its complexity, unpredictability, and subjectivity. The reporters are replete with cases that could have gone either way.

This case, however, does not fall into the gray area. Based on the works at issue, uncontested facts, and the judge’s factual findings, the defendants’ unauthorized derivative work plainly supported a grant of summary judgment *for the plaintiff* on the fair use defense. Defendants produced OH THE PLACES YOU’LL BOLDLY GO! [“BOLDLY”], a non-parodic mashup that combines *Star Trek* with Dr. Seuss’s OH THE PLACES YOU’LL GO! [“GO!”]. BOLDLY’s slavish use of imaginative graphic images and text from GO! results in a commercial work that would, if marketed, directly compete with GO!’s graduation season book sales and licensing marketplaces. The result does not qualify for the fair use defense.

The district court’s conclusory finding that the defendants’ work is “highly transformative” and disregard of the second and third fair use factors misapply the standards for fair use analysis. More troublingly, the court’s categorical determination that “mashups” are inherently “highly transformative” for purposes of fair use analysis improperly undermines the Copyright Act’s right to prepare

derivative works and the proper role for the fair use defense. Moreover, the district court's shifting of the burden of proof regarding market harm to the copyright owner contravenes basic tenets of civil procedure.

The District Court's decision destabilizes essential copyright law principles that have long supported markets for collaborations and derivative works. If this decision stands, competitors could flood publishing, television, film, and merchandising markets with unauthorized derivative works merely by "mashing" in other elements. Lucasfilm could produce OH THE PLACES *YODA*'LL GO! without obtaining a license from Dr. Seuss Enterprises ["DSE"]. The developers of the *Pokémon* series could offer OH THE PLACES YOU'LL *Pokémon* GO!. Castle Rock Entertainment could introduce OH THE PLACES YOU'LL *Yada Yada Yada*!. Warner Bros. could freely mash together Bugs Bunny with Marvel Comic's Iron Man or Sesame Street's Kermit the Frog.

Moreover, *anyone* could produce and distribute such works. The defendants in this case did not license rights from the owners of the *Star Trek* series or DSE. That result contravenes what Congress intended in establishing an exclusive right to prepare derivative works subject to the fair use defense.

While mashups can qualify for fair use in particular cases—for example, where they offer parodic or even satirical commentary and insights; or where a fan adapts his or her favorite characters or scenes for a school project—a categorical

rule that commercial, non-parodic, non-satirical mashups automatically qualify as “highly transformative” for purposes of fair use analysis goes well beyond the Copyright Act’s regime for promoting expressive creativity. Reversing the district court’s decision, therefore, is critical to ensuring that the Copyright Act’s exclusive rights, limiting principles, and policies, and the licensing institutions and norms they have generated, continue to function effectively. By contrast, affirming the district court’s decision would undermine Congress’s copyright protection framework and threaten chaos in the content industries.

None of this is to suggest that the fair use doctrine is not an important feature of copyright law or that individuals should not be able to express their creativity or engage with influential works. It is essential, however, that the courts not subvert the copyright system by holding that any mashup constitutes fair use. The District Court’s decision is not merely a slippery slope undercutting the statutory right to prepare derivative works; it is a precipice.

Promoting mashup art beyond the limits set by copyright law’s exclusive rights, limiting doctrines, and fair use analysis may well be a desirable policy reform for the digital age. Such a course, however, is for Congress and not the judiciary.

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ARGUMENT

As copyright scholars who seek to promote a balanced copyright system and fidelity to legislative authority, we file this brief to rectify and restore the balances underlying the Copyright Act of 1976. The factual background for this case is presented clearly in the District Court’s rulings. After explaining the pertinent statutory provisions (17 U.S.C. §§ 106(2), 107) and their interplay, we focus on three principal errors made by the court below: (1) the conclusory determination that BOLDLY is “highly transformative”; (2) flawed analysis of the fair use factors; and (3) inappropriate shifting of the burden of proof of an affirmative defense on to the copyright owner. The final section explores the larger licensing, institutional, remedial, and policy aspects of this case.

I. The Copyright Act of 1976

Since the nation’s founding, Congress and the courts have striven to promote expressive creativity through the development of a robust and balanced copyright system. This case involves the interplay of the § 106(2) right to prepare derivative works and the § 107 fair use defense.

The District Court’s hasty rejection of the relevance of the § 106(2) right—by blithely noting that copyright’s exclusive rights are subject to the fair use defense, *see DSE v. ComicMix*, 372 F.Supp.3d 1101, 1116 (S.D. Cal. 2019)—overlooks

important statutory context for understanding “transformativeness.” Congress defines “derivative works” as works that “recast, *transform*[], or adapt[]” “pre-existing works.” 17 U.S.C. § 101 (emphasis added). If, as the District Court ruled, non-parodic, non-critical, conventional mashups are inherently “highly transformative” under § 107 and such finding resolves all of the factors in the defendant’s favor, then the right to prepare derivative works has no purchase for any adaptation that combines pre-existing works. Congress did not intend such a broad exemption. The resolution of this puzzle—and the dual meaning of “transform”—lies in a deeper understanding of Sections 106(2) and 107.

A. Section 106(2): The Right to Prepare Derivative Works

Pursuant to Art. I, Section 8, Clause 8 of the U.S. Constitution, Congress granted authors exclusive rights to books and other creative works for limited times. The 1790 Act granted authors of books, maps, and charts exclusive time-limited rights. *See* 1790 Act, § 1, Ch. 15, 1 Stat. 124. A dozen years later Congress recognized derivative work protection by extending copyright protection to prints. *See* Act of 1802, § 3, Ch. 36, 2 Stat. 171 (imposing liability upon those “copy or sell, or cause to be engraved, etched, copied or sold, in the whole *or in part, by varying, adding to, or diminishing from the main design*, or shall print, re-print, or import for sale, or cause to be printed, re-printed, or imported for sale, any such print or prints, or any parts thereof, without the consent of the proprietor or

proprietors thereof” (emphasis added).

The extent of adaptation rights remained murky during the 19th century, with some cases declining to find translations and creative abridgements to implicate the right to copy. See, e.g., *Stowe v. Thomas*, 23 F. Cas. 201, 208 (C.C.E.D. Pa. 1853) (No. 13,514) (concerning German translation of *Uncle Tom’s Cabin*). Congress removed any doubt in the 1909 Act, granting authors the exclusive right to “translate the copyrighted work into other languages or dialects or make any other version thereof if it be a literary work; to dramatize it if it be a nondramatic work; to convert it into a novel or other nondramatic work if it be a drama; to arrange or adapt it if it be a musical work; to complete, execute, and finish it if it be a model or design for a work of art.” See 1909 Act, § 1(b), Pub. L. 349, 35 Stat. 1075.

Congress explicated the derivative work right in the Copyright Act of 1976. Section 106(2) grants authors the exclusive right “to prepare derivative works based on the copyrighted work.” The Act defines a “derivative work” as “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 (emphasis added).

Thus, a work that *transforms* a pre-existing work falls within the exclusive

rights of the owner of copyright in the pre-existing work. Section 103(a) provides that “protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully.” *See generally Anderson v. Stallone*, 11 U.S.P.Q.2d 1161 (C.D. Cal. 1989) (finding that a script about Rocky Balboa fighting a Russian boxer infringes the right to prepare derivative works). All of the § 106 rights are subject to the § 107 defense.

B. The Fair Use Defense

Early court decisions recognized 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 (1841) (Story, J.). Courts evolved the fair use doctrine through hundreds of published opinions over more than a century, ultimately leading Congress to codify the fair use defense in the 1976 Act:

Notwithstanding the provisions of sections 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (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; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107.¹ In codifying this jurisprudence, Congress recognized the judiciary’s ongoing role in developing the fair use doctrine. *See* Copyright Law Revision, H.R. Rep. No. 94–1476, at 66 (1976).

Drawing on Justice Story’s inquiry whether a new work merely “supersedes the objects” of the original creation or instead adds something new, *Folsom v. Marsh*, 9 F. Cas. at 348, Judge Pierre Leval introduced the term “transformativeness” to elucidate fair use analysis:

I believe the answer to the question of justification turns primarily on whether, and to what extent, the challenged use is *transformative*. The use must be productive and must employ the quoted matter in a different manner or for a different purpose from the original. . . . [If] the secondary use adds value to the original—if the quoted matter is used as raw material, *transformed* in the creation of new information, new aesthetics, new insights and understandings—this is the very type of activity that the fair use doctrine intends to protect for the enrichment of society.

Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1111 (1990) (footnotes omitted, emphases added). He did not, however, view “[t]he existence of

¹ Congress later applied fair use to newly enacted moral rights provision in § 106A, Pub. L. 101-650, 90 Stat. 2546, § 607 (1990), and added the following in 1992: “The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors,” Pub. L. 102–492, Oct. 24, 1992, 106 Stat. 3145.

any identifiable transformative objective” as the end of the inquiry. *Id.* at 1111.

Judge Leval explained:

Courts must consider the question of fair use for each challenged passage and not merely for the secondary work overall. . . . Simply to appraise the overall character of the challenged work tells little about whether the various quotations of the original author’s writings have a fair use purpose or merely supersede. For example, in the recent cases of biographies of Igor Stravinsky and J.D. Salinger, although each biography overall served a useful, educational, and instructive purpose that tended to favor the defendant, some quotations from the writings of Stravinsky and Salinger were not justified by a strong transformative secondary objective. The biographers took dazzling passages of the original writing because they made good reading, not because such quotation was vital to demonstrate an objective of the biographers. These were takings of protected expression without sufficient transformative justification.

Leval, 103 HARV. L. REV. at 1111-12 (footnotes omitted).

Drawing on Justice Story’s formulation, Judge Leval’s insights and terminology, and Congress’s preambular examples, the Supreme Court reversed the Sixth Circuit’s ruling denying the fair use defense to 2 Live Crew’s parodic version of “Oh, Pretty Woman.” *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994). The Court’s decision did not, however, hold that a finding that a work is transformative runs the table of fair use factors. To the contrary, the Court noted that even works with parodic elements could adversely affect the copyright owner’s legitimate potential markets and such effects must be carefully analyzed. *See id.* at 593-94.

C. Reconciling Section 106(2) and Fair Use Jurisprudence

As noted above, use of the term “transformative” in fair use jurisprudence emerged long after passage of the 1976 Act. Neither Judge Leval nor Justice Souter in *Campbell* expressly discussed the terminological overlap between § 101 (definition of “derivative work”) and fair use jurisprudence, but it is clear that they did not intend for fair use to swallow a large portion of the right to prepare derivative works. Absent constitutional violations, the judiciary cannot override Congress’s express statutory framework. Thus, this terminology must be understood against the backdrop of the Copyright Act. Judge Leval recognized that:

The transformative justification must overcome factors favoring the copyright owner. A biographer or critic of a writer may contend that unlimited quotation enriches the portrait or justifies the criticism. The creator of a derivative work based on the original creation of another may claim absolute entitlement because of the transformation. Nonetheless, extensive takings may impinge on creative incentives. And the secondary user's claim under the first factor is weakened to the extent that her takings exceed the asserted justification. The justification will likely be outweighed if the takings are excessive and other factors favor the copyright owner.

Leval, 103 HARV. L. REV. at 1111.

In discussing the fourth factor (effect on the potential market), often labeled the most important consideration, Justice Souter recognized that although “[t]he market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop,” which likely excludes critical reviews or lampoons, works that comprise parody and other elements could

nonetheless harm legitimate derivative licensing markets such as the general market for rap music. *See Campbell*, 510 U.S. at 592. “Evidence of substantial harm to [such market] would weigh against a finding of fair use, because the licensing of derivatives is an important economic incentive to the creation of originals. *See* 17 U.S.C. § 106(2) (copyright owner has rights to derivative works).” *Campbell*, 510 U.S. at 593. In that manner, the Supreme Court’s fair use analysis recognized the continuing need to respect the copyright owner’s rights in derivatives.

Judge Leval has more recently clarified the meaning of transformative as applied to § 106(2) and fair use analysis:

Transformations of the sort producing fair use are usually of a different character from the transformations that produce derivatives. In the fair use context, the word most frequently refers to the *purpose* of the copying—ordinarily to communicate some kind of commentary about the original or provide information *about* it. . . .

In the derivative context, by contrast, what *Campbell* refers to as the ‘critical bearing’ of the secondary work will generally be absent. The transformation involved in making a derivative is usually one of form or medium, offering the same work in a new version, form, medium, or shape, rather than offering information or commentary *about* the original.

The classic understanding of derivatives is that they are works that represent the original author’s creative expression in a different medium or form to an audience that either is, or would be, motivated by appreciation of the original author’s creative expression. . . .

See Pierre Leval, Campbell As Fair Use Blueprint, 90 WASH. L. REV. 597, 609-10 (2015) (footnote omitted). A few months ago, Judge Leval embroidered on those considerations to explain that

a common form of copying that is neither parodic nor satirical, where one simply piggybacks on a famous song, poem or passage, or logo, playing on public recognition of the original to give punch, or humor to a new, unrelated message. Where the copying is essentially either to harness the expressive brilliance of the original for the delivery of the copier's message, or to gain audience impact for the new message by free-riding on the fame of the original expression, courts should ponder whether such changes can qualify as transformative, whether they have arguable justification for copying. It is difficult to see why the original author should not be entitled to a fee for licensing such a utilization of her work.

Pierre Leval, *Fair Use: A Ramble through the Bramble*, NYU Proving IP Symposium, May 16, 2019, video available at https://www.youtube.com/watch?v=OGky_yG8dV8 (at 11:48 – 12:46).

II. The District Court's Errors

BOLDLY is *less* deserving of fair use than a work condemned by Judge Leval which “simply piggybacks on a famous [work] playing on public recognition of the original to give punch, or humor to a new, unrelated message.” *Id.* Here the defendants did not even provide a “new, unrelated message.” Yet the District Court collapsed the assessment of fair use by ruling that combining *Star Trek* characters, settings, and themes with the vivid imagery and prose of Dr. Seuss's *GO!* (and other works) was “highly transformative.” This produced a domino effect by which a conclusory judgment on transformativeness toppled the fair use factors.

A. Evaluation of Transformativeness

While BOLDLY might well strike a lay observer as clever, engaging, and even

transformative in a common parlance sense of the term, copyright's fair use test demands more than a simplistic test. As set forth in Part I, the inquiry focuses on whether the defendant's work serves a different privileged purpose than the original work. The § 107 preamble identifies "criticism, comment, news reporting, teaching[], scholarship, or research" as prototypical fair use purposes, none of which remotely characterize BOLDLY. The District Court properly rejects the defendants' assertion that BOLDLY parodies GO!, but nonetheless concludes that BOLDLY is transformative based on its allegedly different intrinsic purpose. According to the District Court, whereas GO! functions as an illustrated book with an uplifting message that would appeal to graduating high school and college seniors, BOLDLY offers an uplifting message in an illustrated book (drawing on GO!'s prose and imagery) "tailored to fans of *Star Trek*'s Original Series." *See DSE v. ComicMix*, 372 F.Supp.3d at 1115. The District Court then sidesteps the more appropriate characterization: BOLDLY is a GO! sequel. *See id.* at 1116.

As the District Court correctly notes, derivative works can qualify for fair use. But without a different privileged purpose such as a criticism or commentary, they face a steep uphill climb. Even parodies have to survive the justificatory gantlet. *See Campbell*, 510 U.S. at 580 (observing that if the defendant's work "has no critical bearing on the substance or style of the original composition, which the alleged infringer merely uses to get attention or to avoid drudgery in working up

something fresh, the claim to fairness in borrowing from another's work diminishes accordingly (if it does not vanish), and other factors, like the extent of its commerciality, looms larger").

B. Consideration of the Fair Use Factors

1. Factor 1 (Purpose and Character of Use)

Section 107(1) asks courts to consider "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes." Fair use jurisprudence emphasizes whether the defendant's work merely supersedes the *objects* of the original or "is productive and employ[s] the quoted matter in a different manner or for a different purpose from the original." *See* Leval, 103 HARV. L. REV. at 1111 (footnote omitted).

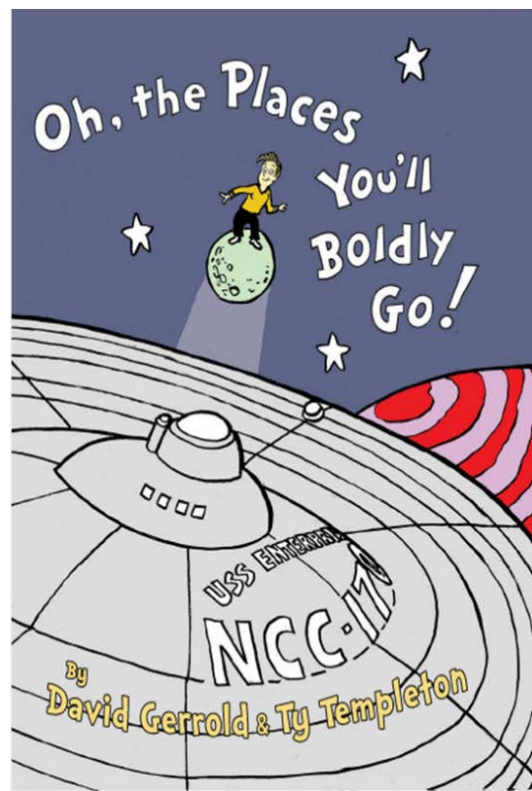
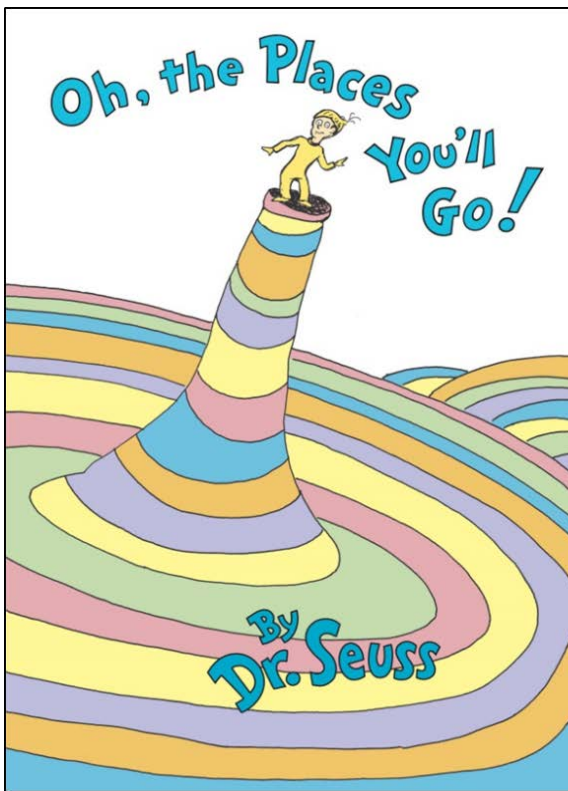
BOLDLY is an unabashedly commercial work that seeks to draw on GO!'s popularity. It entertains and inspires its target audience in much the way as GO! It parallels GO!'s creative style, imagery, and general purpose. By combining *Star Trek* characters, themes, and space travel with GO!, BOLDLY only modestly adds new insight and understanding. Dr. Seuss's imaginative imagery already reflects alien/extra-terrestrial settings and characters. This factor favors the plaintiff.

2. Factor 2 (Nature of Copyrighted Work)

GO! is an imaginative, expressive, highly original work of graphic art and prose. This factor favors the plaintiff.

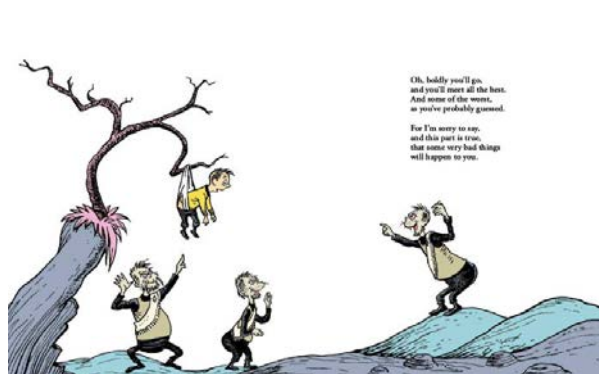
3. Factor 3 (Amount and Substantiality of Copying)

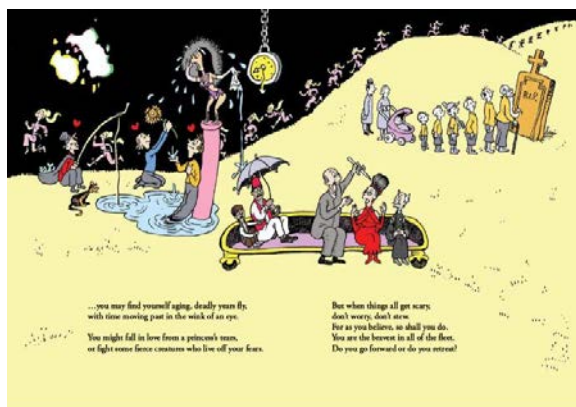
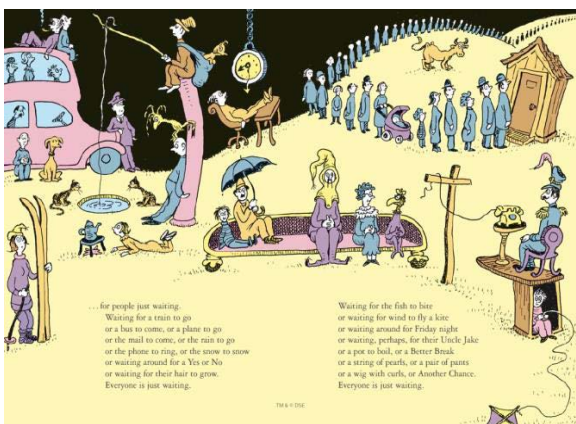
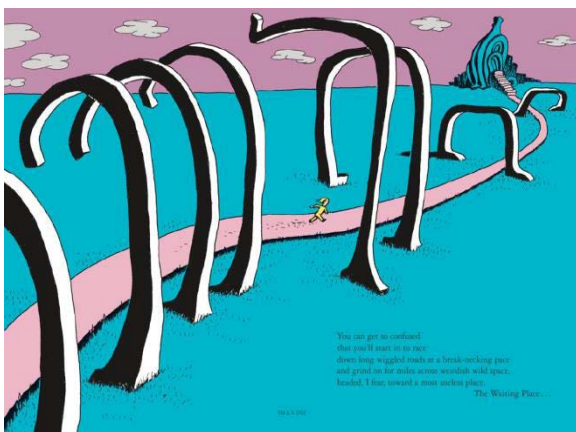
Drawing a questionable analogy to *Leibovitz v. Paramount Pictures Corp.*, 137 F.3d 109 (2d Cir. 1998), a case distinguishable by the thinness of the copyright there at issue, the District Court focuses its factor 3 analysis on one comparison: the covers of the two works. See *DSE v. ComicMix*, 372 F.Supp.3d at 1118. The only image at issue in *Leibovitz* was the magazine cover. The District Court properly determined that the BOLDLY cover copies little from GO!'s cover. We would go further and assert that BOLDLY's cover likely *does not even infringe* GO!'s cover.



These observations, however, are entirely beside the point—one must not judge a book by its cover. Insofar as the covers in this case are legally significant, they

relate to the plaintiff's trademark cause of action, not the *copyright* cause of action. More importantly, as Judge Leval notes, “[c]ourts must consider the question of fair use for each challenged passage [or image] and not merely for the secondary work overall [or its cover].” Leval, 103 HARV. L. REV. at 1111 (our bracketed text). The following illustrations, not even analyzed by the District Court, demonstrate that BOLDLY (on the right) slavishly copied highly original illustrations from GO! and other Dr. Seuss works (on the left):





BOLDLY essentially traces highly imaginative graphic images, color patterns, and compilations of artistic elements. Such extensive copying cannot be justified by parodic, critical, or other privileged justification. The third factor favors the plaintiff.

4. Factor 4 (Effect on Potential Market for Copyrighted Work)

The fourth fair use factor examines the effect of the defendant's work on the potential market(s) for the plaintiff's work. This factor

requires courts to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also "whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market" for the original.

NIMMER § 13.05[A] [4], p. 13–102.61 (footnote omitted); accord, *Harper & Row*, 471 U.S., at 569, at 2235; Senate Report, p. 65; *Folsom v. Marsh*, 9 F.Cas., at 349. The enquiry “must take account not only of harm to the original but also of harm to the market for derivative works.” *Harper & Row*, *supra*, 471 U.S. at 568.

Campbell, 510 U.S. at 590.

In many fair use cases, determining the potential market(s) for the plaintiff’s work can be difficult. This is not such a case. GO! is a perennial bestseller during high school and college graduation season. In addition, there is a robust market for licensing Dr. Seuss works for collaborative books, audiovisual works, clothing, and merchandise. The defendants and their business partners recognized that BOLDLY would be a big hit during graduation season and could be exploited with posters, mugs, and other merchandise.

Nonetheless, the District Court concluded that “Plaintiff has failed to sustain its burden to demonstrate by a preponderance of the evidence that BOLDLY is likely substantially to harm the market for GO! or licensed derivatives of GO!.” *DSE v. ComicMix*, 372 F.Supp.3d at 1120. Even putting aside the District Court’s error in imposing the burden of proof for the fourth fair use factor on the plaintiff,² the District Court’s ruling makes no sense.

Brick and mortar bookstores would undoubtedly stock BOLDLY in close proximity to Go! during graduation season. Online search engines would quickly recommend these books to graduation gift shoppers. It is not difficult to imagine that searches for Go! would return recommendations for BOLDLY. Customers interested in an entertaining aspirational book for their grandchild, nephew, or niece would undoubtedly consider these books substitutes and choose the most appropriate—perhaps Go! for the humanities or law graduate and BOLDLY for the STEM (Science, Technology, Engineering, and Math) graduate. Unlike works that target audiences outside the original work’s market—such as 2 Live Crew’s parodic rap version of “Oh, Pretty Woman” or Alice Randall’s wrenching retelling of *Gone with the Wind* from the standpoint of slaves on the Tara plantation, *see Suntrust v. Houghton Mifflin Co.*, 252 F.3d 1165 (11th Cir. 2001)—BOLDLY would supplant Go! sales.

Plaintiff also demonstrated that Go! and other Dr. Seuss works enjoy a robust licensing market. The District Court’s decision serves as open invitation for anyone to enter the market for Dr. Seuss mashups. BOLDLY usurps the opportunity for DSE and the owners of the Star Trek series from pursuing collaboration. *Cf. Anderson v. Stallone*, 11 U.S.P.Q.2d 1161 (C.D. Cal. 1989).

The District Court’s comparisons to *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007), and *Equals Three, LLC v. Jukin Media, Inc.*, 139

F.Supp.3d 1094 (C.D. Cal. 2015), bear little relevance to the present case. Google's use of thumbnails of copyrighted images for purposes of its image search engine is transformative in a functional manner that bears no relationship to the present case. More directly, low resolution thumbnails do not compete with Perfect 10's high resolution images. To the contrary, Google's image search engine might well drive demand for Perfect 10's photographs. *Equals Three* involved speculative potential markets unlike those at issue here.

The fourth factor favors the plaintiff.

5. Balancing the Fair Use Factors

Contrary to the District Court's grant of summary judgment for the defendants, the fair use factors favor the plaintiff. BOLDY neither ridicules nor comments on GO! nor uses GO! to poke fun at *Star Trek*. BOLDLY pays homage to both as it seeks to commercialize a derivative work. While marketing a *Star Trek* themed version of GO! for STEM graduates appears to be a promising marketing idea, it nonetheless falls within plaintiff's right to prepare derivative works. If merely combining GO! with another work—such as *Star Wars*, *Pokémon*, and *Seinfeld*—qualified as a transformative fair use, little would remain of the § 106(2) right. Fidelity to the Copyright Act requires that courts apply the fair use doctrine with due regard for copyright law's right to prepare derivative works. *See Kienitz v. Sconnie Nation LLC*, 766 F.3d 756, 758-59 (7th Cir. 2014). DSE has licensed authors and

illustrators to publish several GO! derivative works. This case does not implicate fundamental First Amendment concerns that would arise with critical commentary. Hence, BOLDLY is better viewed as an unauthorized derivative work that falls outside of the fair use defense.

III. Licensing, Institutional, Remedial, and Policy Considerations

Notwithstanding the District Court's flawed application of the fair use doctrine, we would be disingenuous if we did not acknowledge our desire to experience the adventures of a Seussian Starship Enterprise. The BOLDLY images and storyline combine memorable, engaging, and inspiring childhood memories.

The Copyright Act offers multiple possibilities to launch that adventure. First, Section 106(2) places the entitlement to pursue such a work squarely within the authority of DSE and the owner of the *Star Trek* franchise. Those companies can offer their own mashup of Dr. Seuss and the Starship Enterprise. This would be analogous to Sylvester Stallone's production of Rocky IV (arguably the best of the Rocky sequels). *See Anderson v. Stallone*, 11 U.S.P.Q.2d 1161 (C.D. Cal. 1989).³

Second, DSE and the *Star Trek* franchise could join forces with the defendants

³ Stallone independently came up with the idea of Rocky fighting a Soviet boxing powerhouse. *See Anderson*, 11 U.S.P.Q.2d at 1161 (quoting Stallone interview in WACO TRIBUNE HERALD, May 28, 1982; Section D, pg. 1; Anderson did not prepare his treatment until June 1982).

to pursue a collaboration. Much of the creative work has been done.

Unfortunately, the defendants may have poisoned the well by taking such a cavalier approach to the projects. Nonetheless, the possibility still remains for such a venture, subject perchance to an intergalactic peace treaty among the parties.

Third, in appropriate cases (albeit not this one), derivative works could reach the public through a non-injunctive remedy, such as a running royalty damages award. The Supreme Court's decision in *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), provides that

a plaintiff seeking a permanent injunction must satisfy a four-factor test . . . (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.”).

Id. at 391. Judge Leval laments in his seminal pre-*eBay* article that

[o]ne of the most unfortunate tendencies in the law surrounding fair use is the notion that rejection of a fair use defense necessarily implicates the grant of an injunction. Many commentators have disparaged the overly automatic tendency of courts to grant injunctive relief. The copyright statute and its predecessors express no preference for injunctive relief. The 1976 Act states only that a court “may . . . grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.” Moreover, the tendency toward the automatic injunction can harm the interests of plaintiff copyright owners, as well as the interests of the public and the secondary user. Courts may instinctively shy away from a justified finding of infringement if they perceive an unjustified injunction as the inevitable consequence.

Leval, 103 HARV. L. REV. at 1130-31 (footnotes omitted); *see id.* at 1131-35; *New Era Publications Int'l v. Henry Holt & Co.*, 884 F.2d 659, 663 n. 1, 664 (2d Cir. 1989) (Newman, J., dissenting) (advocating rehearing en banc and emphasizing the importance of the public interest in determining the availability of an injunction).

Just as courts have fashioned a balanced framework for assessing fair use, the *eBay* decision affords courts an opportunity to develop a further safety valve that preserves incentives to create, balances compensation for authors, and promotes dissemination of cumulative creativity. Such a doctrine has the additional virtue of avoiding distortion of the fair use doctrine. *See* Leval, 103 HARV. L. REV. at 1131, n. 114 (confessing with the benefit of hindsight that his “belief that the [Salinger biography] should not be enjoined made [him] too disposed to find fair use where some of the quotations had little fair use justification”); Peter S. Menell & Ben Depoorter, *Using Fee Shifting to Promote Fair Use and Fair Licensing*, 102 CAL. L. REV. 53, 80-81 (2014) (suggesting that a similar motivation might have been in play in *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605 (2d Cir. 2006)).

Those general considerations should inform the crafting of copyright doctrine. Nonetheless, there is little basis in this case to deny an injunction against continued dissemination of BOLDLY. The harm to DSE appears serious and the blatant unjustified infringement favors DSE. Furthermore, the publication of a mashup-

inspired sequel does not rise to same public importance as the dissemination of vital historical information. *See* Jon O. Newman, *Not the End of History: The Second Circuit Struggles with Fair Use*, 37 J. COPYRIGHT SOC'Y U.S.A. 12, 16 (1990).

Finally, Congress could reform the Copyright Act to ease the path for mashups. Advances in digital technologies have unleashed a digital tsunami that continues to reshape the content industries and the broader culture. While these technologies have empowered creators and enabled them to reach vast audiences, they have also introduced new challenges deserving of legislative attention. *Cf.* Peter S. Menell, *Adapting Copyright for the Mashup Generation*, 164 U. PA. L. REV. 441 (2016) (advocating a compulsory license for music mashups). The present case highlights the bargaining leverage and transaction cost challenges facing upstart creators seeking to build on existing works. There are numerous ways in which Congress could lubricate the wheels of progress. *See, e.g.,* Menell & Depoorter, *supra*, (proposing a novel mechanism that would afford a limited, cost-effective process for preclearing works, promote fair negotiation over cumulative uses of copyrighted works, and reduce the exposure of cumulative creators to the inherent risks of relying on copyright's de minimis and/or fair use doctrines.)

CONCLUSIONS

The District Court’s determination that a slavish, non-parodic, conventional mashup of a highly original illustrated book is “highly transformative” and constitutes fair use fundamentally misapplies the standards for fair use analysis, undermines the statutory right to prepare derivative works, and destabilizes essential copyright law principles that have long supported markets for collaborations and derivative works. The court should reverse the District Court’s grant of summary judgment for the defendants and order entry of judgment for the plaintiff.

Dated: August 12, 2019

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CERTIFICATE OF SERVICE

I certify that I electronically filed this BRIEF AMICI CURIAE OF PROFESSORS PETER S. MENELL, SHYAMKRISHNA BALGANESH, AND DAVID NIMMER IN SUPPORT OF PETITIONERS with the United States Court of Appeals for the Ninth Circuit via the Court's CM/ECF system on August 12, 2019, and that service will be made on counsel of record for all parties to this case through the Court's CM/ECF system.

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**UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT**

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☐ is accompanied by a motion to file a longer brief pursuant to Cir. R. 32-2(a).

Signature s/Peter S. Menell

Date August 12, 2019

Case No. 19-55348

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

DR. SEUSS ENTERPRISES, L.P., a California limited partnership,

Plaintiff-Appellant,

v.

COMICMIX LLC, a Connecticut limited liability company;
GLENN HAUMAN, an individual; DAVID JERROLD FRIEDMAN, an
individual, AKA David Gerrold; TY TEMPLETON, an individual,

Defendants-Appellees.

Appeal from the United States District Court
for the Southern District of California, San Diego
Case No.: 3:16-cv-02779-JLS-BGS
Honorable Janis L. Sammartino, Presiding

**BRIEF OF *AMICUS CURIAE* SESAME WORKSHOP
IN SUPPORT OF APPELLANT'S POSITION
SEEKING REVERSAL ON APPEAL**

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CIRCUIT RULE 26.1 DISCLOSURE STATEMENT

Pursuant to Federal Rule of Appellate Procedure 26.1, Sesame Workshop has no parent corporation, and no publicly held company owns 10% or more of its stock. The only law firm appearing for Sesame Workshop is Dean S. Marks, Attorney-at-Law.

Respectfully submitted,

DATED: August 12, 2019

DEAN S. MARKS, ATTORNEY-AT-LAW

By: /s/ Dean S. Marks

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STATEMENT OF COMPLIANCE WITH RULE 29(a)(4)(E)

This brief is submitted pursuant to Rule 29(a)(4)(E) of the Federal Rules of Appellate Procedure with the consent of the parties. No party's counsel authored the brief in whole or in part; no party or party's counsel contributed money that was intended to fund preparing or submitting the brief; and no person other than the amici curiae or their counsel, contributed money that was intended to fund preparing or submitting the brief.

Respectfully submitted,

DATED: August 12, 2019

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INTEREST OF AMICUS CURIAE

All parties consented to Amicus filing this brief.

Sesame Workshop is a nonprofit organization that has been responsible for the production of several educational children's programs—including its first and best-known, the iconic *Sesame Street*, the longest running program on the Public Broadcasting Service (PBS). On November 10, 2019, *Sesame Street* will celebrate its fiftieth year of continuous broadcast on the PBS stations in the United States. *Sesame Street* has continued to bring critical early learning to generations through the beloved and iconic Muppets of *Sesame Street*, including Big Bird, Cookie Monster, Oscar the Grouch, Bert and Ernie, and Elmo. Sesame Workshop's international programming includes local adaptations of *Sesame Street* customized to the unique needs and challenges of children in different languages and cultures in such countries as South Africa, Afghanistan, Mexico, and Bangladesh, among others. Sesame Workshop has received a record-setting 191 Emmy awards to date and numerous other accolades. *Sesame Street* has been recognized as the most impactful program in the history of television for its innovative work in using the power of media to help children learn and grow, preparing them for success in school and life. On July 18, 2019, *Sesame Street* again made history, becoming the first television program to be named as a recipient of the Kennedy Center Honors.

As a creator and distributor of creative content, Sesame Workshop relies both on its rights as a copyright owner under the Copyright Act of 1976, 17 U.S.C. §106—including the derivative work right set forth in section 106(2)—and on the fair use affirmative defense set forth in section 107. As a copyright owner, Sesame Workshop licenses its copyrighted content for use in television, streaming video, software apps, home video, toys and games, and theme parks. In that role, Sesame Workshop often licenses others the right to create derivative works, including works that combine copyrighted characters and content owned by Sesame Workshop with copyrighted characters and content owned by other creators.¹ Conversely, Sesame Workshop often relies on fair use to create expressive works. Examples include parodies of *True Blood* (“True Mud”), *Downton Abbey* (“Upside Downton Abbey”), and *Homeland* (“Homelamb”).

In finding that Defendants’ slavish copying of Plaintiff/Appellant Dr. Seuss Enterprises LLP’s classic work *Oh The Places You’ll Go!* (“*Go!*”) was fair use, the district court fell prey to confusion resulting from a linguistic anomaly in copyright jurisprudence. Under section 106(2) of the Copyright Act, 17 U.S.C. §106(2), the

¹ See, e.g., “Respect is Coming,” a public service announcement in which Sesame Street’s Elmo teaches two bitter rivals from the popular and critically acclaimed HBO series *Game of Thrones* to respect each other’s point of view. The public service announcement was created pursuant to licenses from Sesame Workshop and HBO. <https://www.youtube.com/watch?v=l2ppLtHbag4>

copyright owner has the right to make derivative works—defined, *inter alia*, as a work that “transforms” a pre-existing work (*see id.* section 101). In deciding whether copying is fair use under section 107 of the Act, a court will assess whether the defendant’s *use* of plaintiff’s work is “transformative” in considering the first fair use factor (*i.e.*, the purpose and character of the use). While both legal concepts involve the word “transform,” they differ markedly in function and application. Here, the district court confused “transformation” for the purposes of the derivative work right with a “transformative use” for fair use purposes. The district court’s mistake, if sustained, could undermine the derivative work right and stifle the dissemination of creative works. Indeed, the district court’s decision seems to suggest a novel and wholly unsupported theory that when a “mash-up” is created, the creator of that “mash-up” has unfettered license to make a wholesale appropriation of the underlying copyrighted works.

On behalf of its own beloved and respected characters and its fifty years of good will, Sesame Workshop has a keen interest in the outcome of this appeal. And as both a copyright holder and a creator that relies on fair use, Sesame Workshop brings a balanced perspective to this *amicus curiae* brief.

INTRODUCTION AND SUMMARY OF ARGUMENT

Section 101 of the Copyright Act, 17 U.S.C. §101, defines a derivative work as one that “recast[s], *transform[s]*, or adapt[s]” a preexisting work. (Emphasis

added.) Under section 107 of the Copyright Act, 17 U.S.C. §107, in deciding whether a defendant’s copying of a plaintiff’s work is “fair use,” a court will consider whether the defendant’s use is *transformative*. While the derivative work definition and the fair use inquiry both involve “transformation,” the concepts differ significantly. Derivative works recast, adapt, or “transform” the original work into a new mode of presentation, but such works are only transformative under the first fair use factor if they use the original work as raw material and add “something new, with a further purpose or different character” as “commentary” and “provid[ing] social benefit, by shedding light on an earlier work.” *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994).

In holding that Defendants/Appellees ComicMix LLC et al.’s *Oh, the Places You’ll Boldly Go* (“*Boldly*”) was “highly transformative” of plaintiff Seuss’s *Go!*, the district court improperly conflated the two uses of the term “transform.” *See Dr. Seuss Enterprises, L.P. v. ComicMix LLC*, 372 F.Supp.3d 1101, 1115 (S.D. Cal. 2019). Defendants admitted that they copied extensively from protected literary and pictorial expression from *Go!*. Although Defendants added some new material to *Go!*, they failed to infuse *Boldly* with any new meaning or message, nor did *Boldly* provide any new insight or commentary on *Go!*. To the contrary, *Boldly* delivers the exact same inspirational message as *Go!* and merely repackaged *Go!* to appeal to Plaintiff’s *existing* market, targeted at high school and

college graduates. Therefore Defendants’ *Boldly* utterly failed the “transformative use test” of the first fair use factor.

The addition of the *Star Trek* elements in Defendants’ work constituted only a recasting, transformation, or adaptation of *Go!*—*i.e.*, the creation of a derivative work, within the meaning of the section 101—but not a *transformative use* for the purpose of the first fair use factor. Taken to its logical extreme, the district court’s erroneous order could stand for the proposition that all mash-ups constitute fair use, a holding that would greatly diminish the derivative work right.

The district court’s erroneous finding on the first fair use factor further distorted its analysis, including of the third fair use factor—the amount and substantiality of the portion used in relation to the copyrighted work as a whole. “The third factor asks whether ‘the amount and substantiality of the portion used in relation to the copyrighted work as a whole ... are reasonable in relation to the purpose of the copying.’” *Campbell*, 510 U.S. at 586. Moreover, this factor necessarily overlaps somewhat with the first factor—the “extent of permissible copying varies with the purpose and character of the use.” *Id.* at 586-87. The district court found no purpose for Defendants’ work other than to set *Star Trek* characters in a *Dr. Seuss* world, a non-transformative use that justified no amount of copying of protected expression. Neither did the district court employ this Court’s extrinsic and intrinsic tests of substantial similarity, the proper method of

assessing how much protected expression a defendant took from a plaintiff. Yet in discussing the third fair use factor, the district court essentially found that Defendants copied only discrete, unprotected elements. Without employing the extrinsic-intrinsic tests, this conclusion was untethered to any legal standard and was therefore erroneous. Furthermore, in finding *Boldly* to be a “mash-up” that was transformative under the first *fair use* factor, the district court vitiated the third factor of the fair use test and appeared to hold that *any amount* of taking was permissible. This also was erroneous.

The district court’s analysis of the fourth fair use factor, *i.e.*, market harm, failed to adhere to fair use precedent. As a procedural matter, the district court erroneously placed the burden of proving market harm on the Plaintiff. Because fair use is an affirmative defense, Defendants bore the burden of proof. Moreover, in evaluating market harm, a court examines traditional, reasonable, or likely to be developed markets—including the market for derivative works. And, a court should evaluate the *plaintiff’s* market, not the market for the defendant’s work. Yet, the district court erroneously focused on *Defendants’* market for a Dr. Seuss-Star Trek mash-up. A proper inquiry into the effect on *Plaintiff’s* market reveals that Plaintiff has and continues to extensively license the right to combine copyrighted Dr. Seuss elements with the copyrighted elements from other pre-existing works to create new “mash-ups” or joint works. Thus, Plaintiff has an

actual market for such derivative works. That Defendants chose to usurp one specific potential derivative work in that market does not obviate market harm.

Moreover, in concluding that market harm was only “hypothetical,” the district court failed to recognize that the Defendants’ work had yet to be published, such that there was no way Plaintiff could prove actual market harm. The district court’s analysis sets a bar that would be impossible to meet when suing over an unpublished work. This, too, was error. Put simply, Defendants’ *Boldly* is a *non-transformative*, infringing derivative work. The district court erred in holding otherwise.

In considering summary judgment motions raising fair use, this Court has held that “[w]here no material, historical facts are at issue and the parties dispute only the ultimate conclusions to be drawn from those facts, we may draw those conclusions . . .” *Seltzer v. Green Day, Inc.*, 725 F.3d 1170, 1175 (9th Cir. 2013) (internal citation omitted). Because no material, historical facts are at issue here, Amicus urges this Court to conclude that Defendants’ copying of Plaintiff’s work does not, as a matter of law, qualify as fair use.

ARGUMENT

I. THE DISTRICT COURT’S ORDER IS INCONSISTENT WITH CONTROLLING PRECEDENT

In evaluating an affirmative defense of fair use, a court will consider “(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; and (4) the effect of the use upon the potential market for or value of the copyrighted work.” 17 U.S.C. §107; *see Sofa Entm’t, Inc. v. Dodger Prods., Inc.*, 709 F.3d 1273, 1278 (9th Cir. 2013) (applying the four factors). The Supreme Court has cautioned against undue reliance on a single fair use factor. *Campbell*, 510 U.S. at 578 (“Nor may the four statutory factors be treated in isolation, one from another. All are to be explored, and the results weighed together, in light of the purposes of copyright.”).

A. The District Court Failed to Distinguish Between Transformation for the Purposes of the Derivative Work Right and a Transformative Use Under the First Fair Use Factor

Whenever a derivative work is created, there is, by definition, a “transformation” of the pre-existing work. *See* 17 U.S.C §101.² However, that type of “transformation” differs significantly from the transformative use necessary to satisfy the first fair use factor. “Although 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*

² Sesame Workshop’s books, TV specials, musical releases, and other licensed products, like those of Plaintiff, all derive from and transform in some way the original first script and Jim Henson characters found in the first *Sesame Street* episode aired almost fifty years ago. Yet, as discussed in the text, this is not the type of transformation relevant to the fair use inquiry.

‘transformative.’” *Castle Rock Entm’t v. Carol Pub. Grp., Inc.*, 150 F.3d 132, 143 (2d Cir. 1998) (emphasis added). A transformative use for fair use purposes, “[a]s Judge Leval puts it, ... produces new insights and understandings.” *Penguin Random House LLC v. Colting*, 270 F.Supp.3d 736, 750 (S.D.N.Y. 2017) (finding that a series of illustrated children’s’ books based on adult novels are not transformative and do not qualify as fair use), *quoting* Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1111 (1990); *see Campbell*, 510 U.S. at 579-80 (adopting the Leval approach and finding that a *use* is “transformative” under the first fair-use factor only where the defendant incorporates copyrighted content into a “fresh,” expressive work of authorship that “adds something new, with a further purpose or different character, altering the first [work] with new expression, meaning, or message.”). Finally, a mere “difference in purpose is not quite the same thing as transformation.” *Monge v. Maya Magazines, Inc.*, 688 F.3d 1164, 1176 (9th Cir. 2012), *quoting Infinity Broad. Corp. v. Kirkwood*, 150 F.3d 104, 108 (2d Cir. 1998) (retransmitted radio broadcasts were not transformative).

In light of the above, even where a defendant adds new material to a pre-existing work, the courts have found copying to be a transformative use for fair use purposes *only* in cases consistent with *Campbell’s* mandate. *E.g., Seltzer*, 725 F.3d 1170 (use of image to comment on religion); *SOFA Entm’t, Inc.*, 709 F.3d 1273; (use of clip in a musical as a biographical anchor); *Perfect 10, Inc. v. Amazon.com*,

Inc., 508 F.3d 1146 (9th Cir. 2007) (enhancing searchability of images).³ The key to each of these holdings is not that the defendant changed (*i.e.*, recast) the pre-existing work but rather that the defendant altered the pre-existing work in such a way to create new aesthetics, new insights, and new understandings, or as in the case of *Perfect 10, Inc. v. Amazon.com Inc.*, 508 F.3d 1146, 1165 (9th Cir. 2007), quoting *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 819 (9th Cir. 2003) “a different function [such as] improving access to information on the [I]nternet versus artistic expression” that “provides social benefit.”

In contrast, the courts decline to find transformative those uses that merely repackage the work so as to entertain an audience—even where the defendant’s use recasts, transforms, or adapts the Plaintiff’s work within the meaning of the definition of a derivative work and adds new content. *See, e.g., Dr. Seuss Enterprises, LP v. Penguin Books USA, Inc.*, 109 F.3d 1394 (9th Cir. 1997) (recast, adapted, and transformed Dr. Seuss’s *Cat in the Hat* to recount the OJ Simpson

³ *See also Blanch v. Koons*, 467 F.3d 244 (2d Cir. 2006) (social commentary); *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 609 (2d Cir. 2006) (use of concert posters to comment on and commemorate the performances they were designed to promote); *Leibovitz v. Paramount Pictures Corp.*, 137 F.3d 109 (2d Cir. 1998) (parody); *Equals Three, LLC v. Jukin Media, Inc.*, 139 F.Supp.3d 1094, 1105 (C.D. Cal. 2015) (criticism).

trial was not a parody and non-transformative);⁴ *Salinger v. Colting*, 641 F.Supp.2d 250, 258-62 (S.D.N.Y. 2009), *vacated and remanded*, 607 F.3d 68 (2d Cir. 2010) (adaptation and transformation of *The Catcher in the Rye* set sixty years after original novel not transformative for purposes of fair use); *Castle Rock Entm't, Inc. v. Carol Pub. Grp., Inc.*, 150 F.3d at 142-43 (book containing trivia questions about plaintiff's TV show was non-transformative under the first fair use factor even though it contained original material). As these cases make clear, *where the new work is used or exploited for a purpose that is similar, analogous, or co-extensive with the copyright holder's existing or potential market for derivatives, a license is required*. The distinction between these two types of transformation is crucial to furthering the interests of copyright, namely incentivizing copyright holders to create expressive works. Indeed, “the derivative right lies at the core of copyright theory.” Daniel Gervais, Ph.D., *The Derivative Right, or Why Copyright Law Protects Foxes Better Than Hedgehogs*, 15 Vand. J. Ent. & Tech. L. 785, 788 (2013). “What fair use law does not protect is the right of others to produce works that, generally speaking, the ‘creators of imaginative

⁴ The district court's failure to address *Penguin Books*, controlling Ninth Circuit authority involving the identical plaintiff and somewhat analogous facts, is puzzling to say the least.

works’ might choose to produce themselves.” *Penguin Random House LLC v. Colting*, 270 F.Supp.3d at 749.

Without question, *Boldly* is an unauthorized derivative work: it “recast, transform[ed] [and] adapt[ed]” *Go!* within the meaning of section 101. However, contrary to the district court’s erroneous holding, *Boldly* was *not* “highly transformative” of *Go!* for the purposes of the fair use assessment. The wording of the order below actually underscores the district court’s confusion:

“[T]he copied elements [in ComicMix’s *Oh, the Places You’ll Boldly Go!* (“*Boldly*”)] are always interspersed with original writing and illustrations that transform *Go!*’s pages into repurposed, Star-Trek-centric ones ...

Defendants did not copy verbatim text from *Go!* in writing *Boldly*, nor did they replicate entire illustrations from *Go!* Although Defendants certainly borrowed from *Go!*—at times liberally—the elements borrowed were always *adapted or transformed*. The Court therefore concludes, as it did previously ... that Defendants’ work, while commercial, is highly transformative.”

ComicMix, 372 F.Supp.3d at 1115 (Emphasis added, citations omitted.)

In using the terms *adapted* and *transformed* as a justification for its holding, the district court’s order mirrors the language in section 101’s derivative work

definition. This is not surprising: *Boldly* is a derivative work and nothing more.⁵ At the same time, the court did not identify any transformative *use*, that is, any new expression, meaning or message that either comments upon or criticizes *Go!*, or alternatively uses it to provide some significant new meaning, insight or understanding. The court acknowledged that Defendants' *Boldly* is not a parody (it clearly is not). The most the court said is that Defendants' work is "tailored to fans of Star Trek's Original Series" (*id.* at 1115)—tantamount to an acknowledgment that Defendants' work has repackaged *Go!* to entertain *Star Trek* fans. However, as Professor Paul Goldstein has noted, derivative works by definition seek to target new markets. Paul Goldstein, *Derivative Rights and Derivative Works in Copyright*, 30 J. Copyright Soc'y U.S.A. 209, 217 (1983) (Derivative rights "by definition, secure markets at some remove from the market first entered.") It follows that a defendant that creates a derivative work may not escape liability under the fair use defense merely because the new work adds to the original or targets a market that differs from the market for the original pre-existing work. Repackaging a copyrighted work to entertain a particular audience is a quintessentially *non*-transformative use. *See Castle Rock Entm't v. Carol Pub.*

⁵ The court also used the word "repurposed," which is merely a synonym for *recasts*, another term found in the section 101 definition of a derivative work.

Grp., Inc., 150 F.3d at 142 (no transformative purpose where purpose of defendant’s book was to “repackage *Seinfeld* to entertain *Seinfeld* viewers”).⁶

The district court’s attempt to address the tension between the derivative work right and fair use analysis only underscores the doctrinal confusion in its order. The court observed that “if *Boldly* were a derivative work, it could still be transformative—as the Court has found—and constitute a non-infringing fair use.” *ComicMix*, 372 F.Supp.3d at 1116. That statement is correct as a matter of law, but misses the mark because the court misapplied the transformative use/purpose requirement. The district court failed to recognize that while every derivative work by definition entails some degree of transformation, not every derivative work has a transformative purpose under the first fair use factor.⁷

The district court seemed fixated on the term “mash-up,” exalting the term to give “mash-ups” virtually automatic fair use protection. However, the very

⁶ Of course, amicus recognizes that in the proper case, a mash-up can be highly transformative under the first fair use factor. For example, Sesame Workshop’s own “True Mud” mashes up *Sesame Street* characters with the characters and setting of the HBO-vampire series *True Blood*. “True Mud” is transformative both in parodying the dark, violent, original series and in creating new expression, meaning, and purpose by using the mash-up to teach young children to rhyme. See <https://www.youtube.com/watch?v=n-mkbf5ogU4>.

⁷ Moreover, *Boldly* clearly has a commercial purpose. “Because there is no effort to create a transformative work with ‘new expression, meaning, or message,’ the infringing work’s commercial use further cuts against the fair use defense.” *Dr. Seuss Enterprises, LP v. Penguin Books USA, Inc.*, 109 F.3d at 1401.

definition of “mash-up”—a work of fiction that combines a pre-existing literature text, often a classic work of fiction, with another genre (see https://en.wikipedia.org/wiki/Mashup_novels)—illustrates that a mash-up is merely one type of derivative work and is entitled to neither more nor less fair use protection than any other derivative work.⁸ Given that *Boldly*: (i) does not comment upon *Go!* and actually delivers the same inspirational message of *Go!*, (ii) has no different meaning or fundamental purpose, and (iii) produces “no new insights or understandings,” it simply does not meet the transformative use test of the first fair use factor. The district court erred by failing to understand the distinction between transformation for the purposes of creating derivative works and transformation under the first fair use factor.

B. The District Court’s Flawed Finding on the First Fair Use Factor Tainted Its Analysis of the Third Factor

The third fair use factor looks to the quantitative amount and qualitative value of the original work used in relation to the justification for that use. *Seltzer*, 725 F.3d at 1178; *SOFA Entm’t*, 709 F.3d at 1279; *see also Campbell*, 510 U.S. at

⁸ The Supreme Court in *Campbell* advised that even “parody may or may not be fair use.” *Campbell* at p. 581. Indeed in the context of music, it has been noted that mash-ups are nearly always derivative works requiring a license and rarely can qualify as fair uses. *See Emily Harper, Music Mashups: Testing the Limits of Copyright Law As Remix Culture Takes Society by Storm*, 39 Hofstra L. Rev. 405, 418 (2010) (“Given copyright holders’ exclusive right to prepare derivative works, it follows that mashup artists cannot prepare mashups (which are derivative works) without authorization.”)

586. The question is whether Defendants “only copie[d] as much as [wa]s necessary for [their] intended use.” *L.A. News Serv. v. CBS Broad, Inc.*, 305 F.3d 924, 941 (9th Cir. 2002), *as amended*, 313 F.3d 1093 (9th Cir. 2002).

The district court held that Defendants’ intended use of Plaintiff’s works—to create a *Seuss-Star Trek* mash-up—justified Defendants’ copying under the first factor and that Defendants had the right under the third factor to copy extensively to create that mash-up. *ComicMix*, 372 F.Supp.3d at 1117. The reasoning is circular. A defendant that copies will always intend to create what it creates. The real question is whether the *amount* of copying serves a broader, transformative purpose. The district court’s conclusion on the third factor rests on the misapprehension that because *Boldly* adapted, recast, and transformed *Go!* under the section 101 definition of a derivative work, the first factor weighed in Defendants’ favor. But because the Defendants’ *use* was not transformative, there was no justification for Defendants’ copying of *any* amount of protected expression. As Justice Kennedy observed in his concurring opinion in *Campbell*, “[t]he third factor does reinforce the principle that courts should not accord fair use protection to profiteers who do no more than add a few silly words to someone else’s song *or place the characters from a familiar work in novel or eccentric poses.*” *Campbell*, 510 U.S. at 598. (Emphasis added.)

The district court cites the Second Circuit’s opinion in *Leibovitz* as a basis for finding that the third fair use factor does not weigh against Defendants. In fact, *Leibovitz* only underscores the district court’s error. In that case, the defendants created a parody of a famous photograph, a transformative use that does not exist in this case. Moreover, the work at issue in *Leibovitz*—a photograph—was not meaningfully divisible. This Court has held that a defendant who uses an indivisible work necessarily has more leeway under the third factor. *Seltzer*, 725 F.3d at 1178 (“[T]his court has acknowledged that this factor will not weigh against an alleged infringer, even when he copies the whole work, if he takes no more than is necessary for his intended use.”) The works at issue here are episodic and divisible, so the Defendants could have extracted portions of the work. *Id.* (distinguishing episodic and divisible works like a book manuscript and a TV show from an indivisible single image).

Similarly, the district court’s reference to *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792 (9th Cir. 2003), is equally inapposite. In that case, this Court found that “because the copyrighted material is a doll design and the infringing work is a photograph containing that doll, [the defendant], short of severing the doll, must add to it by creating a context around it and capturing that context in a photograph.” *Id.* at 804. More importantly, this Court held that the amount taken in *Mattel* was also justified because of the transformative purpose in terms of

parody and social commentary. As this Court stated: “It is not difficult to see the commentary that Forsythe intended or the harm that he perceived in Barbie’s influence on gender roles and the position of women in society.” *Id.* at 802. In the instance case, the district court identified no new message, meaning, criticism or social commentary in *Boldly*—precisely because none exists.

Furthermore, untethered from the relevant judicial authority, the district court also held that the third factor did not weigh against Defendants because the Defendants largely took unprotected elements from Plaintiff’s works. *ComicMix*, 372 F.Supp.3d at 1118. The court stated:

“Examining the cover of each work, for example, Plaintiff may claim copyright protection in the unique, rainbow-colored rings and tower on the cover of *Go!* Plaintiff, however, cannot claim copyright over any disc-shaped item tilted at a particular angle; to grant Plaintiff such broad protection would foreclose a photographer from taking a photo of the Space Needle just so, a result that is clearly untenable under—and antithetical to—copyright law.”

But, the fair use defense becomes relevant only where copying of *protected expression* occurs. That is, protectability is an element of a plaintiff’s *prima facie* case. Absent copying of protected expression, there is no need to consider fair use, because there is no actionable copying.

The district court here never conducted an analysis of substantial similarity of *protectable* expression under this Court’s extrinsic-intrinsic test and therefore could not possibly have made an informed assessment of the amount and substantiality of protected expression taken under the third factor. *Compare Penguin Books*, 109 F.3d at 1398-99 (comparing works under extrinsic test before reaching fair use issue). Although a full inquiry under the extrinsic-intrinsic test is beyond the scope of this amicus brief, even a cursory analysis demonstrates that the district court’s examination of the third fair use factor was conclusory. The plots of both works predict the ups and downs of a boy starting his adult life. The sequences of events in both works track these ups and downs in substantially similar fashion and are interspersed at approximately the same location with an illustration captioned only with the works’ titles—which themselves are substantially similar. The works at issue are of nearly identical length, and both works end with a litany of names and an admonition to go forward. The main characters—the boy in each—are substantially similar notwithstanding the *Star Trek* uniform and the purported identity of the character as Captain Kirk in *Boldly*. The themes of the works are identical—life will bring triumphs and tribulations, but an exciting future beckons, so go for it. The pacing of each work is substantially similar (again, note a page using only the title interspersed mid-story). The moods of both works are light and humorous with a serious undertone. The

settings differ somewhat from a literary standpoint, but visually bear a significant resemblance despite the Defendants having recast the setting of their work in a space context. As to the graphic elements of the two works, the district court failed to address most of the illustrations, and even as to the covers did not, in detail, compare subject matter, shapes, colors, materials, and arrangement of the representations of the illustrations. Quite simply, because the district court failed under the third factor to identify the scope of copying of protected expression, it had no basis for assessing the amount or substantiality of the use, and thus made a finding that flew in the face of the evidence and the Defendants' own concessions.

C. In Assessing the Fourth Fair Use Factor, the District Court Incorrectly Focused Exclusively on Defendants' Specific Uses Rather Than on Dr. Seuss's Potential Markets

In evaluating the fourth fair use factor, a court should assess harm to the plaintiff's "traditional, reasonable [] or likely to be developed markets." *Seltzer* 725 F.3d at 1179; *Am. Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 930 (2d Cir. 1994). The fourth factor "requires courts to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also 'whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market' for the original." *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. at 590, (quoting 4 M.B. Nimmer & D. Nimmer, *Nimmer on Copyright*, § 13.05[A][4] (1984)).

The inquiry under the fourth factor cannot be limited solely to whether the defendant's challenged use harms the market within which the plaintiff is already operating. Rather, courts must also consider potential harm to the plaintiff's "derivative" or "licensing" markets (*i.e.*, markets the plaintiff might later enter or license others to enter). *See Harper & Row, Publishers, Inc. v. Nation Enter.*, 471 U.S. 539, 568 (1985); ("This inquiry must take account not only of harm to the original but also of harm to the market for derivative works."); *Sofa Entm't*, 709 F.3d at 1280 ("The fourth factor requires courts to consider the secondary use's impact on the market for the original work and the market for derivative works ..."); *TCA Television Corp. v. McCollum*, 839 F.3d 168, 186 (2d Cir. 2016) (quoting *American Geophysical*, 60 F.3d at 930; citations omitted) ("To be clear, in assessing harm posed to a licensing market, a court's focus is not on possible lost licensing fees from defendants' challenged use. ... Rather, a court properly considers the challenged use's 'impact on potential licensing revenues for traditional, reasonable, or likely to be developed markets.'"). Significantly, the focus is on the potential market that the *plaintiff* is likely to develop. *Seltzer*, 725 F.3d at 1179 (referring to market that *Seltzer* was likely to develop); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1017 (9th Cir. 2001) ("[L]ack of harm to an established market cannot deprive *the copyright holder* of the right to develop alternative markets for the works.") (Emphasis added).

As noted above, the district court erroneously placed the burden of proving market harm on the Plaintiff. Because fair use is an affirmative defense, the Defendant has the burden of proof. *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1158 (9th Cir. 2007). And because Defendants' *use* was non-transformative, the district court should have presumed market harm.

Moreover, the district court recognized, but failed to credit, the undisputed evidence that an *actual* market exists for Dr. Seuss derivative works, including works created in collaboration with other rights holders. *ComicMix*, 372 F.Supp.3d at 1119. By definition, the particular market for an authorized Seuss-Star Trek mash-up would clearly be adversely impacted on publication of *Boldly*. Apart from the market for derivative works, *Boldly* also impacted the market for *Go!* itself. Both works were books. Both were intended for publication. Both contemplated a market intended to target recent high school and college graduates.⁹ That Defendants crafted *Boldly* for *Star Trek* fans does not vitiate market harm. As noted above, all derivative works to some extent target new markets. Here, Plaintiff suffered harm within the meaning of the fourth fair use factor. *See Monge v. Maya Magazines, Inc.*, 688 F.3d at 1181-82 (publication of

⁹ As discussed in more detail in Appellant's brief, the undisputed evidence demonstrates that *Boldly* was to serve as a market substitute for *Go!*—a graduation gift. The inquiry into whether a defendant's work serves as a substitution for the original is central to fair use analysis. *Campbell*, 510 U.S. at 591.

copyrighted photos harmed actual market where plaintiffs were in the business of marketing images of themselves).

Neither did the district court consider the effect on the market of “unrestricted and widespread conduct of the *sort* engaged in by the defendant.” (Emphasis added). Rather, the court limited its inquiry to the effect that Defendants’ particular use had on Plaintiff’s market and then compounded this error by improperly focusing on *Defendants’*, not on *Plaintiff’s* market, concluding that there was no market harm because the target audience for Defendants’ book were already fans of Dr. Seuss. However, there is a reason why the courts focus on the *plaintiff’s* traditional, reasonable, or likely to be developed markets and not on defendant’s challenged uses: to avoid circularity. *American Geophysical v. Texaco, Inc.* 60 F.3d 913, 929 n.17, 931 (2d Cir. 1994). Ordinarily, the circularity problem would arise from a court assuming that just because the defendant engaged in the challenged conduct without the copyright owner’s consent, a market exists for the conduct. *Id.* By improperly focusing on Defendants’ market—readers of Dr. Seuss and fans of *Star Trek*—rather than on Plaintiff’s potential markets for derivatives that combine other works, the district court engaged in a different, yet equally erroneous type of circularity: the court assumed that certain markets were irrelevant simply because Plaintiff has chosen not to occupy them yet. This reasoning is circular because it permits a court to ignore the

“potential market” language in section 107. Under that section, potential market “means either an immediate or a delayed market, and includes harm to derivative works.” *Monge*, 688 F.3d at 1181, *quoting Cable/Home Commc’n Corp. v. Network Prods., Inc.*, 902 F.2d 829, 845 (11th Cir. 1990). Control over the delayed market includes future markets. *Monge*, 688 F.3d at 1181. Thus, “[e]ven an author who had disavowed any intention to publish his work during his lifetime was entitled to protection of his copyright, first, because the relevant consideration was the ‘potential market’ and, second, because he has the right to change his mind.” *Worldwide Church of God v. Philadelphia Church of God, Inc.*, 227 F.3d 1110, 1119 (9th Cir. 2000). The district court here should have focused on *Plaintiff’s* actual and potential markets for derivatives collaborative with other copyright holders (i.e., copyright owners of characters or narratives other than Star Trek) and not solely on *Defendants’* market for a *Seuss-Star Trek* mash-up.

Finally, the district court concluded that the “potential harm to [Plaintiff]’s market remains hypothetical.” *ComicMix*, 372 F.Supp.3d at 1120 (quoting *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1168 (9th Cir. 2007)). In so holding, the district court failed to recognize that the Defendants’ work was yet to be published, such that there was no way *actual* market harm could be demonstrated. The district court’s analysis sets a bar that would be impossible to meet when suing over an unpublished work. This, too, was error.

II. THE DISTRICT COURT’S OPINION, IF AFFIRMED, COULD UNDERMINE THE IMPORTANT SECTION 106(2) DERIVATIVE WORK RIGHT

Without question, the copyright owner’s exclusive right to prepare derivative works has added significantly to the body of artistic expressive works essential to a democratic society. As noted above, Amicus Sesame Workshop employs its right to prepare derivative works to educate children domestically and internationally. Classic motion pictures like the *Harry Potter* series, *Atonement* (2007), *The Shawshank Redemption* (1994), *Jurassic Park* (1993), *The Color Purple* (1985), *The Godfather* (1972), *Gone With the Wind* (1939), and *The Wizard of Oz* (1939) were derivative works that recast, adapted, and transformed pre-existing novels. The continued popularity of and trust in the *Sesame Street* brand is wholly built upon the thousands of derivative works that have been created from the original copyrighted work that gave rise to this lauded franchise. The district court’s opinion, read broadly, would provide an unfettered right to “mash-up” two copyrighted works for the clearly non-transformative purpose of tailoring one to fans of the other. The fair use defense is not and cannot be read to be so broad as essentially to abrogate section 106(2). But that is exactly what the district court’s order implies. Unless corrected, the district court’s analytical errors could in future cases “excessively diminish[] the incentives for creativity” that copyright protection provides. *Blanch v. Koons*, 396 F.Supp.2d 476, 480 (S.D.N.Y. 2005),

(quoting Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1110 (1990)).

“Where the district court has found facts sufficient to evaluate each of the statutory factors, an appellate court need not remand for further fact-finding but may conclude as a matter of law that the challenged use does not qualify as a fair use of the copyrighted work.” *Seltzer*, 725 F.3d at 1175 (internal citations omitted). Here, there is no need to remand for further factfinding. Amicus therefore urges this Court to reverse the district court’s decision and conclude that *Boldly* does not qualify as a fair use of *Go!*. Alternatively, this Court should reverse and remand the case with appropriate guidance so that the district court can engage in the “subtle, sophisticated” analysis that the fair use doctrine demands.

CONCLUSION

“[C]opyright supplies the economic incentive to create and *disseminate* ideas.” *Golan v. Holder*, 132 S.Ct. 873, 889 (2012) (emphasis in original; citation omitted). “In analyzing a fair use defense, it is not sufficient simply to conclude whether or not justification exists. The question remains how powerful, or persuasive, is the justification, because the court must weigh the strength of the secondary user’s justification against factors favoring the copyright owner.” Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1111 (1990).

A court cannot further the salutary objectives of copyright and apply the fair use defense consistently with those objectives when it misapplies even one of the four factors. Here, the district court has misapplied three. Amicus Sesame Workshop therefore requests that this Court employ the correct fair use analysis, conclude as a matter of law that Defendants' use of *Go!* does not qualify as fair use, and reverse the district court's order, or in the alternative remand so that the district court may apply the proper analysis.

DATED: August 12, 2019

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By: /s/ Dean S. Marks

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CERTIFICATE OF COMPLIANCE
PURSUANT TO CIRCUIT RULE 32-1

I hereby certify that pursuant to Federal Rule of Appellate Procedure 32(a)(7)(C) and Ninth Circuit Rule 32-1, the enclosed brief is proportionately spaced, has a typeface of 14-point Times New Roman including footnotes, and contains approximately 6,564 words. Counsel relies on the word count of the computer program used to prepare this brief.

DATED: August 12, 2019

DEAN S. MARKS, ATTORNEY-AT-LAW

By: /s/ Dean S. Marks

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Attorneys for *Amicus Curiae*,
Sesame Workshop

CERTIFICATE OF SERVICE

I certify that this BRIEF OF *AMICUS CURIAE* SESAME WORKSHOP IN SUPPORT OF APPELLANT’S POSITION SEEKING REVERSAL ON APPEAL was timely filed with the United States Court of Appeals for the Ninth Circuit via the Court’s CM/ECF system on August 12, 2019. I further certify that, to my knowledge, all participants in the case are registered CM/ECF users so service will be made on counsel of record for all parties to this case through the Court’s CM/ECF system.

DATED: August 12, 2019

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