

Comparative Advertising and the Fair Use Defense

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Does use of another's copyrighted material in comparative advertising constitute copyright infringement or fair use? In contrast to trademark law, where truthful reference in advertising to another's mark is a common form of fair use under U.S. law, the use of another's copyrighted material in comparative advertising has rarely been addressed by the courts.

Recently, the Ninth Circuit issued its first decision on the matter in Sony Computer Entertainment America, Inc. v. Bleem, LLC, 2000 U.S. App. LEXIS 8774 (9th Cir., May 4, 2000). The case provides useful guidelines for persons engaging in comparative advertising.

Bleem markets a software emulator that allows gamers to run Sony PlayStation video games on a personal computer without using a PlayStation console. Gamers benefit because the Bleem software is cheaper than a Sony PlayStation console and a high resolution computer monitor produces better graphics than the typical television monitor used with a console.

To market its emulator, Bleem ran advertising in various media that included comparative screen shots of the Sony PlayStation games showing what the game looked like when played with a Sony console on a television screen versus the appearance of the game on a computer screen using Bleem's emulator.

Sony sued Bleem on various theories and the district court granted a preliminary injunction. On appeal, the only issue was whether Bleem's unauthorized use of the Sony PlayStation game screen shots was a violation of Sony's copyright. Bleem admitted that it copied Sony's copyrighted work, but claimed that its actions were protected as fair use under 17 U.S.C. §107.

The relevant statutory provisions are well known. The fair use exception permits reproduction of copyrighted material "for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research." 17 U.S.C. § 107. This list of purposes is not exhaustive, but merely illustrative of the types of uses that may be deemed fair use.

The fair use doctrine involves a mixed question of law and fact based on a set of statutory factors. These factors are:

"(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work." 17 U.S.C. § 107.

None of these factors is deemed determinative and must be balanced together in making the analysis.

On the first factor, even though Bleem's activity was commercial, the Court noted that any rule presuming unfairness had been eliminated by the Supreme Court in Campbell v. Acuff-Rose Music, Inc. 510 U.S. 569 (1994). Although some courts applied that rule in the past, in holding that a parody of the Roy Orbison song "Pretty Woman" was fair use, the Supreme Court in Campbell held that commercial use could not be deemed presumptively unfair. Instead, commercial use is merely a factor to consider in the fair use analysis

In the Sony case, after acknowledging the social utility of comparative, commercial advertising, the Court held that the first fair use factor favored the Bleem:

"Although Bleem is most certainly copying Sony's copyrighted material for the commercial purposes of increasing its own sales, such comparative advertising redounds greatly to the purchasing public's benefit with very little corresponding loss to the integrity of Sony's copyrighted material."

The Court indicated that the second factor was not much help. Although the video game was creative in nature, the screen shot "was merely an inanimate sliver of the game." Although that distinction explains little, the Court dismissed this factor quickly and concluded that it "neither supports nor hurts" the fair use claim.

In the evaluation of the third factor, we learn that a screen shot is “1/30th of a second’s worth of a video game” and is “of little substance to the overall copyrighted work.” According to the Court, in any fair use analysis involving video game screen shots, “the third factor will almost always weigh against the video game manufacturer since a screen shot is such an insignificant portion of the complex copyrighted work as a whole.”

The important fourth factor receives the most weight in the Court’s analysis. First, the Court distinguishes between the market for emulators, which Sony cannot protect, and the market for screen shots, which might be protected. Only the screen shot market is relevant, but there is no market for the screen shots per se. Harm caused by the criticism inherent to comparative advertising is not cognizable. Further, Bleem’s use of screen shots in its advertising would have “no noticeable effect on Sony’s ability to do with its screen shots what it chooses.”

Having found that the four fair use factors favored Bleem, the Court then considered whether it should overrule the district court’s grant of a preliminary injunction as an abuse of discretion. The Court found the lower court decision to be inadequate. “Upon the record before use, we cannot tell whether the district court engaged in the § 107 analysis and thus we have no evidence of its discretion. In the absence of such an analysis, it does appear that the district court abused its discretion . . .” As a result, the Court vacated the preliminary injunction and remanded.

The Sony decision illustrates several useful principles. First, the fair use defense is available even when the defendant’s use is commercial and competitive in nature. Second, comparative advertising is a form of criticism and comment, two of the permitted purposes specifically mentioned in the fair use statute. Finally, a prevailing party on a preliminary injunction motion should encourage the court to support its decision with detailed findings of fact and conclusions of law. Although a district court’s preliminary injunction decision is entitled to considerable deference, a cursory ruling risks rejection as an abuse of discretion. If the court fails to take the laboring oar, the careful advocate should volunteer to draft a proposed order including adequate findings of fact and conclusions of law.