

ART & ADVOCACY



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Recent Disputes and Controversies Involving Asian Antiquities and Cultural Property¹

By Howard N. Spiegler and Laura Tam

The looting of antiquities and other cultural artifacts is a vast problem in countries around the world, including Cambodia, China, and other Asian nations that face the large-scale destruction of important archaeological sites. Many of these countries are fighting fiercely to preserve their cultural heritage. While diplomatic attempts have been made on the international level to regulate the illicit trade in cultural property, the black market continues to thrive. With the ever-growing global appetite for Asian art and antiquities, it is not surprising that legal disputes involving the acquisition of these objects have become more frequent. This article explores some of the most significant cases and disputes in the United States involving Asian antiquities and cultural property in 2013.

Forfeitures

One way that the U.S. government assists in the fight against the growing illegal art market is the use of civil forfeiture actions. Pursuant to federal forfeiture laws, the U.S. government can bring a civil action to have property that is the subject of criminal conduct forfeited to the U.S. In a recent forfeiture case that was closely watched, partly because of the unusual object in question, federal prosecutors in New York filed a lawsuit in June 2012 seeking to return to Mongolia a 70-million-year-old skeleton of a *Tyrannosaurus Bataar* that was allegedly discovered in 1946. In May 2012, the skeleton was supposed to sell at auction for \$1.05 million, but before the auction took place, the government of Mongolia claimed that the bones were stolen.

The skeleton's importer, Eric Prokopi, a self-described "commercial paleontologist," intervened in the forfeiture action and filed a motion to dismiss, arguing that Mongolia has no law declaring bones to be state property, or that it chose not to enforce such a law. In October 2012, Prokopi was arrested and charged with conspiracy to smuggle illegal goods, possess stolen property, and make false statements. Prokopi was also charged with smuggling goods into the U.S. and the interstate sale and receipt of stolen goods. On November 14, 2012, the District Court for the Southern District of New York denied Prokopi's motion to dismiss, and on December 27, 2012, Prokopi withdrew his claim and pled guilty to smuggling the bones in a bid to reduce a potential 17-year prison sentence. The court entered a default judgment for the prosecution, and the property was forfeited to the U.S. government on February 14, 2013, clearing the way for the dinosaur to be returned to Mongolia. In May 2013, the skeleton, along with additional dinosaur fossils the U.S. government had recovered from a California auction house and a British fossil dealer, were formally repatriated to Mongolia.

In another forfeiture dispute, the U.S. filed a complaint in April 2012 seeking the forfeiture of a 10th-century Cambodia sandstone statue. The statue was set to be auctioned in March 2011 by Sotheby's auction house in New York but was pulled at the last minute

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Recent Disputes and Controversies Involving Asian Antiquities and Cultural Property *(continued from page 1)*

after Cambodia claimed ownership. The statue, which is broken off at the legs, allegedly matches a pair of feet left behind at the site of its original location in Cambodia. Several months before the sale was to take place, Sotheby's was allegedly informed by a scholar that the statue was very likely stolen. Nonetheless, it was not until nearly one year after receiving the scholar's report that Sotheby's removed the statue from auction, after being asked by the Secretary General of Cambodia to facilitate its return. On June 5, 2012, Sotheby's and its consignor filed a motion to dismiss the forfeiture, arguing that (i) Cambodia does not have a clear patrimony law giving it ownership over the statue, (ii) if it has such a law, Cambodia has waived it by failing to enforce it, (iii) there was no evidence that the statue left Cambodia after the alleged cultural patrimony laws were in place, and (iv) the consignor was a good-faith purchaser for value, and therefore had good title to the statue under British law even if it had been stolen. In March 2013, Sotheby's motion to dismiss was denied. The case then took an ugly turn, with each side accusing the other of behaving unethically. Sotheby's accused federal officials of blocking a private deal that would have amicably settled the case, while the U.S. government accused a high-level official at Sotheby's of providing false and misleading information. On December 12, 2013, the parties agreed to settle the case. Pursuant to the agreement, the statue will be returned to Cambodia and the U.S. government expressly stipulated that it does not contend that Sotheby's or the consignor "knew or believed that the [s]tatue was owned by the Kingdom of Cambodia or knowingly provided false or misleading provenance information about the [s]tatue."

Earlier this year, Cambodia formed a task force to pursue the return of other artifacts removed from the country and possibly held by museums in the U.S. and elsewhere. It sought the return of other Khmer statues it claims were looted, including two 10th-century sandstone statues, known as the Kneeling Attendants, from the Metropolitan Museum of Art in New York and one from the Norton Simon Museum in Pasadena, California. In response to Cambodia's claims, the Metropolitan Museum agreed to return the Kneeling Attendants to Cambodia. On June 11, 2013, the statues arrived back in their homeland, where they are on display at the National Museum of Cambodia in Phnom Penh. With the return of the Kneeling Attendants from the Metropolitan Museum and the statue from Sotheby's, Cambodia will turn its focus to the statue at the Norton Simon Museum. According to news reports, officials from the Norton Simon Museum plan to visit Cambodia early next year.

Auction House Controversies

There have been a number of recent controversies involving the sales of Asian art and antiquities at auction. For example, in January 2013, authorities arrested Won Young Youn, a New Jersey art collector, on stolen property charges stemming from the alleged purchase of a precious Korean artifact—a

plate dating back to the Joseon Dynasty, Korea's last ruling dynasty. The plate, which was used to print money, is believed to be one of three still in existence from the 1890s.

In 2010, Youn convinced a third party to purchase the artifact on his behalf from Midwest Auction Galleries, a Michigan auction business, for \$35,000. Prior to the sale, James Amato, the owner of Midwest Auction Galleries, was informed by representatives from the South Korean Embassy and the U.S. Department of State that the plate may have been brought into the U.S. illegally and that the sale could constitute a violation of the National Stolen Property Act (NSPA). Pursuant to the NSPA, the U.S. may criminally prosecute anyone who possesses, sells, receives, or transports stolen goods valued at more than \$5,000 that have either crossed a state or U.S. boundary line or moved in interstate or foreign commerce. Violations of the NSPA are punishable by fine and/or imprisonment of up to ten years.

After the sale, U.S. Immigration and Customs Enforcement launched an investigation into the item. In January 2013, Youn was arrested for purchasing stolen property. Youn cooperated with federal authorities, and his testimony supported the arrest of James Amato on February 12, 2013. To avoid criminal prosecution, both men entered into agreements forfeiting their claims to the plate. Youn, a Korean native who was illegally in the U.S., agreed to return to Korea; and Amato repaid the \$35,000, performed 40 hours of community service, and served 90 days of supervised release. On September 3, 2012, the plate was formally repatriated to the Government of South Korea, which marked the first time U.S. Immigration and Customs Enforcement repatriated a cultural artifact to South Korea.

In addition to raising issues involving title, purchasing antiquities at auction can also raise concerns regarding authenticity. For example, in May 2013, Altair Auctions, a small auction house in Massachusetts, drew scrutiny when it sold an allegedly genuine 18th-century Chinese vase for \$1.7 million. According to news reports, the vase bears a striking resemblance to a modern reproduction that was auctioned in Iowa in May 2012 at an auction house called Jackson's International for only \$3,840. Sometime after the Iowa auction, however, it appears that someone created a phony provenance and replaced a Christie's sticker on the base of the vase auctioned at Altair to now indicate that it had been sold in 1989 in a South Kensington auction as Lot 297. It was also reported that Benjamin Wang, the owner of Altair Auctions, admitted that he never bothered to check with Christie's about the alleged sale. Instead, Wang accepted the false provenance, featured a full-page photo of the vase in the auction catalog, gave the vase a selling estimate of \$60,000-\$80,000, and obtained a high bid of \$1.7 million at the auction. After *The Boston Globe* started asking questions about the sale, comparing the Altair vase with the vase that had sold in Iowa for \$3,840 and suggesting that they were one and the same,



Wang canceled the sale. Had Wang investigated the Christie's label, it would have certainly raised a red flag regarding the piece. According to a Christie's representative, the lot indicated on the sticker—lot 297—was not even a vase; it was a statuette with an estimated value of \$100. Even though Wang canceled the sale, the U.S. Department of Justice is reportedly investigating to determine whether the auction house deliberately misled potential buyers. Wang maintains that the vase is an authentic antique and says he will ask the Chinese government to confirm it.

Disputes Involving Dealers

Art dealers have also been in the news recently as a result of their questionable—and indeed sometimes illegal—acquisition practices. In July 2012, the Manhattan district attorney's office issued a warrant for the arrest of the New York art dealer Subhash Kapoor, who was also subject to arrest in India and Germany, on the grounds that Kapoor possessed stolen antiquities from India and other countries. Authorities seized more than \$20 million worth of antiquities, including bronze and sandstone statues allegedly looted from temples in India, from Kapoor's storage units. In connection with the arrest warrant, federal officials also requested that museums in the U.S. review their collections for any objects obtained from Kapoor. It was reported that several major museums around the world and in the U.S., including the Royal Ontario Museum in Toronto; the National Gallery of Australia; the Metropolitan Museum of Art in New York; the Museum of Fine Arts, Boston; the Smithsonian's Freer and Sackler Galleries in Washington, D.C.; and the Art Institute of Chicago, had all acquired works from Kapoor. Moreover, in October 2013, the Manhattan district attorney's office charged Kapoor's sister, Sushma Sareen, with four counts of criminal possession of stolen property for allegedly hiding bronze statues of Hindu deities worth \$14.5 million so that authorities could not seize them.

In November 2013, art dealer François Lorin and his Florida art gallery, which conducted business under the name "Asiantiques," were charged with obstruction of justice after federal authorities intercepted the importation of hundreds of Chinese fine art objects. Twenty-seven of these objects are



CAMBODIAN KNEELING ATTENDANT STATUE

considered items of significant Chinese cultural heritage since they pre-date 907 A.D. In 2009, the U.S. entered into a Memorandum of Understanding (MOU) with China, pursuant to the 1983 Cultural Property Implementation Act, which implemented the 1970 UNESCO Convention on Stolen or Illegally Imported Cultural Objects. This bilateral agreement protects archaeological materials representing China's cultural heritage from the Paleolithic Period (circa 75,000 B.C.) through the end of the Tang Period (907 A.D.) and monumental sculpture and wall art at least 250 years old.

According to court documents, the invoices accompanying the shipment allegedly indicated that the objects were being returned to the U.S. after being shipped to Hong Kong for a trade show. After the objects were intercepted, Lorin and

others allegedly created documents with false provenance information and provided false invoices that were backdated in an attempt to show that the objects had been acquired prior to the date of the MOU. The gallery faces a maximum fine of \$500,000, and Lorin faces a maximum sentence of 20 years in prison and a \$250,000 fine. The U.S. government is also seeking the forfeiture of the objects.

Conclusion

Despite attempts to fight the black market, the flow of illicit goods, including Asian antiquities and cultural property, into the U.S. continues. It goes without saying that this could not be the case without an end market for looted goods. Those who deal in cultural property should, of course, exercise appropriate due diligence when acquiring antiquities and similar objects, even as source countries have to devote enough time, energy, and resources to protecting their cultural property. But in an art market that remains largely unregulated and that has been criticized for its lack of transparency, are stakeholders doing all they can? These cases underscore the reality that more – much more – needs to be done.

1 This article is based in part on remarks delivered by Howard Spiegler, President, Art Law Commission of the Union International des Avocats (International Association of Lawyers), at the organization's 57th Congress in Macau on November 2, 2013.

Trove of Nazi-Looted Artwork Discovered!

Restitution and U.S. Federal Income Taxation Issues

By Nicholas R. Montorio

In 2012, German customs investigators seized approximately 1,400 pieces of artwork from Cornelius Gurlitt, an 80-year-old man living in Munich. The authorities entered Gurlitt's apartment pursuant to an unrelated allegation of tax evasion and found the trove of artwork, which it is currently holding in its custody.

During World War II, the Nazis removed many so-called "degenerate" artworks from German museums and looted thousands of artworks, including artworks from Jewish collectors, from the territories they occupied. Hildebrand Gurlitt, Gurlitt's father, sold "degenerate" and looted works on behalf of the Nazis and appears to have acquired some of the looted work for himself. After Gurlitt's father died in 1956, the collection first passed to Gurlitt's mother and then to Gurlitt in 1967.

Of the 1,400 pieces discovered in Gurlitt's apartment, the authorities are attempting to identify the works as either (i) so-called "degenerate" works or (ii) looted artworks. The distinction between the two categories is significant because, under a German law enacted in 1938, the museums might not be entitled to restitution.

In the event that a particular piece is traced back to a victim of the Nazis, Gurlitt could assert that his father legally obtained the piece through purchase or that his ownership is otherwise protected under German law. Where Gurlitt cannot successfully defend the legality of ownership, the Germany authorities will likely retain custody of artworks, at least for the short term.

Notwithstanding the legal obstacles, victims of the Nazis or their heirs can nevertheless seek to enforce their rights to artworks looted by the Nazis. In such cases, there are several possible outcomes, including outright return of the artworks to the pre-War owners or their heirs, or the payment of some monetary compensation.

In the event that a Holocaust victim receives restitution from Gurlitt or the German authorities, the owners are provided favorable U.S. income tax treatment on such amount. The general U.S. income tax rules require taxpayers receiving property, other than by gift, to report the fair-market value of such property as gross income. The tax basis in such property would be the amount paid plus any gain recognized upon receipt. However, Section 803 of the Economic Growth and Tax Relief Reconciliation of 2001¹ alters the general rules for Holocaust victims (or their heirs or estate) in two significant ways. First, an "eligible individual"² does not have to include

the "excludible restitution payment"³ as income; and second, the tax basis of any excluded property is the fair market value of such property as of the date of restitution.

For example, if Gurlitt (or the German government) transfers a Picasso painting that has a fair market value of \$10 million to a Holocaust victim (or the victim's heirs or estate) who is subject to U.S. income tax, the recipient will exclude the value of the artwork from his "gross income" and will have a \$10 million tax basis in the artwork. Similarly, if the recipient pays a nominal amount for the artwork, his tax basis would still be fair market value as opposed to "cost basis." Finally, if the recipient subsequently sells the Picasso for more than \$10 million, only the excess amount would be gross income as the first \$10 million of the purchase price is applied against the painting's tax basis, and thus is received tax-free.

Depending on how the Gurlitt hoard is handled by the German authorities, claimants could face many legal and practical obstacles. Herrick's Art Law Group has aided its clients in the recovery of almost 250 Nazi-looted artworks, and Herrick's Tax & Personal Planning team can assist successful claimants in a variety of ways, including advice on tax structuring and estate planning.



MAX LIEBERMANN'S ZWEI REITER AM STRANDE, ONE OF THE ARTWORKS DISCOVERED

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- 1 We note that Section 803 has not been codified into the Internal Revenue Code. When Section 803 was initially enacted, it was set to expire at the end of 2010; however, subsequent legislation excepted Section 803 from any expiration date.
- 2 The term "eligible individual" means a person who was persecuted on the basis of race, religion, physical or mental disability, or sexual orientation by Nazi Germany, any other Axis regime, or any other Nazi-controlled or Nazi-allied country. The term also includes the person's heirs and estate.
- 3 An "excludible restitution payment" means any payment or distribution to an individual (or the individual's heirs or estate) that (1) is payable by reason of the individual's status as an eligible individual, including any amount payable by any foreign country, the United States of America, or any other foreign or domestic entity, or a fund established by any such country or entity, any amount payable as a result of a final resolution of a legal action, and any amount payable under a law providing for payments or restitution of property; (2) constitutes the direct or indirect return of, or compensation or reparation for, assets stolen or hidden from, or otherwise lost to, the individual before, during, or immediately after World War II by reason of the individual's status as an eligible individual, including any proceeds of insurance under policies issued on eligible individuals by European insurance companies immediately before and during World War II; or (3) consists of interest which is payable as part of any payment or distribution described in paragraph (1) or (2).

The 'Transformation' of Fair Use After *Prince v. Cariou*

By Barry Werbin and Jessica D. Wessel

On November 12, 2013, the U.S. Supreme Court rejected Patrick Cariou's petition for a writ of *certiorari*, effectively ending his effort to undo the Second Circuit's controversial decision, which largely exonerated from copyright liability artist Richard Prince's *Canal Zone* works that incorporated Cariou's copyrighted photographs of native Rastafarians. In its April 2013 decision, the Second Circuit rejected the district court's requirement that to be entitled to a copyright "fair use" defense, an allegedly infringing work must comment on, relate to the historical context of, or critically refer back to the copyrighted work.

Finding that the law imposes no such requirement, the Second Circuit held that 25 of Prince's 30 works were entitled to the fair use defense as a matter of law because they were "transformative," while remanding the question of the remaining five works to the district court. What remains open is whether the district court will choose to hear more evidence, or will agree with the Second Circuit's observation that the most crucial evidence needed to determine transformativeness in assessing fair use is the works themselves.

Background

In 2000, photographer Patrick Cariou published *Yes Rasta*, a book of photographs that he shot while living for six years among Rastafarians in Jamaica. After seeing a copy of the book while in a bookstore in St. Barth's, Richard Prince, a well-known appropriation artist, altered and incorporated several of Cariou's photographs in a series of paintings and collages, which he titled *Canal Zone*. In 2007 and 2008, Prince exhibited these works through art dealer Larry Gagosian's eponymous gallery, which produced and sold an exhibition catalog containing reproductions of Prince's works featuring the Cariou photographs.

After learning of Prince's exhibition in December 2008, Cariou sued Prince and Gagosian in the District Court for the Southern District of New York, alleging that Prince's *Canal Zone* works and their Gagosian exhibition catalog infringed on his copyrights in the *Yes Rasta* photographs. In response, Prince and Gagosian raised a fair use defense.

Fair Use

The fair use doctrine, which is codified in the 1976 Copyright Act, seeks to strike a balance between a copyright owner's property rights in his or her creative works, and the ability of authors, artists, and others to reference those copyrighted works as a means of expression. Under the Act, a court must consider the following four non-exclusive factors in assessing fair use:

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 the value of the copyrighted work.¹

District Court Overwhelmingly Ruled for Cariou

After a review of the relevant fair use factors, the district court found in favor of Cariou, concluding that none of Prince's works constituted fair use. The court based its decision in large part on Prince's deposition testimony in which he failed to show that his work was transformative in the sense of creating new meaning. In particular, the court cited his testimony that he "do[es]n't really have a message," that he was not "trying to create anything with a new meaning or a new message," and that he "do[es]n't have any . . . interest in [Cariou's] original intent."² That court not only granted Cariou's motion for summary judgment on liability, but also entered a sweeping injunction against Prince and Gagosian that required them to deliver to Cariou all infringing *Canal Zone* works that had not yet been sold for Cariou to destroy, sell, or otherwise dispose of. The turnover and destruction order – an extreme remedy for works of art – was stayed pending an appeal.

The Second Circuit Sets a New Fair Use Standard

On appeal to the Second Circuit, Prince and Gagosian principally contended that Prince's works were "transformative" and constituted fair use of Cariou's original copyrighted photographs. They also argued that the district court imposed an incorrect legal standard when it concluded that to qualify for the fair use defense, Prince's works must comment on Cariou or his photographs, or on aspects of popular culture closely associated with Cariou or the photographs.

At the outset, the Second Circuit emphasized that as the statute indicates, and as the Supreme Court stated in *Campbell v. Acuff-Rose Music, Inc.*³ (a seminal case involving a music parody of Roy Orbison's *Pretty Woman*), the fair use determination is "a context-specific case-by-case analysis."⁴ Under these circumstances, the Second Circuit rejected the district court's requirement under the first factor that the allegedly infringing work must comment on, relate to the historical context of, or critically refer back to the copyrighted work. Finding that the law imposes no such requirement, and that a defendant's commercial use is not dispositive either, the court held that a secondary work may constitute a fair use even if it serves some purpose other than those cited as examples in the Copyright Act's fair use clause (e.g., criticism, comment, news reporting, teaching, scholarship, and research).

The Second Circuit also emphasized that the manner in which the copied work is used is crucial to a court's analysis. That is, to qualify as a fair use, the copied work generally must alter the original with "new expression, meaning, or message." In its review, the Second Circuit rejected Cariou's request to treat Prince's lack of testimony regarding any new meaning of his works as dispositive. Rather, the court stated there is no rule



The 'Transformation' of Fair Use After *Prince v. Cariou* (continued from page 5)

requiring a defendant to explain and defend his or her use as transformative. What is important, the court stated, is how the work in question appears to the reasonable observer.

With regard to the second factor, the court considered whether Cariou's copyright-protected works were (i) expressive or creative, as opposed to factual or informational, and (2) published or unpublished. The court noted that while the photos indisputably were creative and published, this factor "may be of limited usefulness where," as here, "the creative work of art is being used for a transformative purpose."

The third factor considered by the Second Circuit was the amount and substantiality of the portion of the copyrighted works used in Prince's works in relation to Cariou's works as a whole (requiring both a quantitative and qualitative analysis). In assessing this factor, the court said it was unclear how the district court determined that Prince's "taking was substantially greater than necessary" because the law does not require that the secondary artist take no more than is

necessary. Rather, a court needs to consider not only the quantity but also the quality and importance of what is taken from the original work, while recognizing that the "extent of permissible copying varies with the purpose and character of the use." In turn, the secondary use "must be [permitted] to 'conjure up' at least enough of the original" to fulfill its "transformative" purpose. The Second Circuit determined that although Prince used key portions of some of Cariou's photographs, in 25 of Prince's artworks, Prince had "transformed those photographs into something new and different." Thus, the court found that the third factor weighed "heavily in Prince's favor."

In analyzing the fourth statutory fair use factor, which relates to the potential impact of the secondary work on the market for the copyrighted work, the Second Circuit found that "Prince's work appeals to an entirely different sort of collector than Cariou's." As support, the Second Circuit noted that while Prince's works were marketed to wealthy and famous collectors, such as Jay-Z and Beyoncé, Cariou neither actively marketed his works nor sold them for significant sums. Moreover, the court found that there was nothing in the district court's factual

record that suggested a diminution of Cariou's market due to Prince's works. Accordingly, the court found that this factor weighed in favor of Prince.

Applying these factors, the court found that 25 of Prince's works manifested an entirely different aesthetic from Cariou's photographs and thus were "transformative" as a matter of law. In reaching this decision, the Second Circuit cited as instructive the Seventh Circuit's decision in *Brownmark Films, LLC v. Comedy Partners*.⁵ There, the court rejected the argument that copyright infringement claims cannot be disposed of at the motion-to-dismiss stage, stating that in that

case the only two pieces of evidence needed to decide the question of whether a secondary work presented a parody (and was therefore protected fair use) were indeed the secondary and original works themselves.

It bears noting, however, that the subject work in *Comedy Partners* was the popular irreverent *South Park* series, which is known for its "scatological humor" and frequent "commentary on current

events and pop-culture through parody and satire." Parody itself is a quintessential form of fair use, and was deemed protected as a form of free speech in the Supreme Court's 1994 *Campbell* decision. Thus, the assessment of fair use in the context of a prominent parody that pokes fun at the very copyrighted content it incorporates is a very different, and easier, task to undertake than it is for a work of art having no parodic purpose that incorporates and modifies other copyrighted material.

The Second Circuit cautioned, however, that its conclusion in *Cariou* should not be taken to suggest that merely adding cosmetic changes or presenting a work in a new format alone would constitute fair use. Instead, a work has to add something new and present a fundamentally different aesthetic in order to be protected as fair use. In this context, with respect to the five Prince works that were remanded to the district court (including the one reprinted here), the Second Circuit noted that "[e]ach of those artworks differs from, but is still similar in key aesthetic ways, to Cariou's photographs," and "it is unclear whether these alterations amount to a sufficient transformation of the original work of art such that the new work is transformative."



ONE OF CARIOU'S *Yes Rasta* PHOTOGRAPHS JUXTAPOSED WITH ONE OF PRINCE'S *Canal Zone* PAINTINGS THAT THE SECOND CIRCUIT COULD NOT DETERMINE TO BE "TRANSFORMATIVE" AS A MATTER OF LAW.



Notably, a dissent by Senior Circuit Judge Clifford Wallace (sitting by designation from the Ninth Circuit Court of Appeals in California) voiced a strong concern that the court was making its own assessments as to what constitutes “art” by ruling that the majority of Prince’s works constituted fair use as a matter of law. Instead, said Judge Wallace, the court should have remanded all the works back to the district court for reassessment of the fair use defense in light of the appellate court having clarified the applicable legal standard (i.e., that a secondary use need not “comment on” the original artist or work, or popular culture). Citing a cautionary note from the Supreme Court in the *Campbell* case that “[i]t would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of [a work], outside of the narrowest and most obvious limits,”⁶ Judge Wallace emphasized that “[i]t would be extremely uncomfortable for me to do so in my appellate capacity, let alone my limited art experience.”

Transformative Use Creep

The concept of “transformative use” originated with a seminal 1990 Harvard Law Review article by esteemed Judge Pierre N. Leval, who opined that:

the question of justification [of copying] 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. A quotation of copyrighted material that merely repackages or republishes the original is unlikely to pass the test...it would merely ‘supersede the objects’ of the original...If, on the other hand, 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.⁷

Judge Leval’s comments were tempered by his own observation that “[t]he transformative justification must overcome factors favoring the copyright owner. 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.”

The Supreme Court quoted Judge Leval favorably in its *Campbell* decision, but there the subject of music parody fit squarely within his “transformative” use construct. But on the heels of *Campbell*, federal courts started to more regularly decide fair use defenses by reference to whether the secondary use was “transformative,” in some cases applying an expansive view of transformative use, especially in the context of the first

fair use factor, and minimizing the application of the other three statutory factors (or having a finding of transformative use essentially overwhelm all the factors).

Bear in mind that the Copyright Act itself reserves to the copyright owner the *exclusive* right to create “derivative works,” which are works “based upon one or more preexisting works ... [in] any other form in which a work may be recast, transformed, or adapted.”⁸ (Emphasis added). This is the only place in the Copyright Act where the word “transform” appears. Thus, while derivative works may often be transformative, in the post-*Campbell* fair use world, more and more “transformative” uses have been deemed non-infringing fair use, even if they qualify as derivative works.

What Does This Mean to the Creative Arts Community?

The Second Circuit’s decision has created panic in those circles traditionally protective of copyright, but also has instilled a greater sense of freedom to create by appropriation in artists and creators who build on others’ content without fear of liability, at least within the jurisdiction of the Second Circuit (which includes art-centric New York, Connecticut, and Vermont). Based on the Second Circuit’s decision, it is presumably now up to courts to determine how a reasonable observer would assess the transformative nature of a secondary work in assessing a fair use defense. At least within courts in the Second Circuit, this determination may now be made in the absence of any statement of meaning or intent from the allegedly infringing artist himself. As newly minted arbiters of potentially “transformative” works of art, judges will be looking more to the subject works themselves on their face to determine fair use.

Perhaps some courts will start to pay more heed to Judge Leval’s own limitations on his theory that “extensive takings may impinge on creative incentives” and thus undercut the public policy upon which our copyright law is based, namely that “the use must be of a character that serves the copyright objective of stimulating productive thought and public instruction without excessively diminishing the incentives for creativity.”⁹ On the other hand, the creative arts have historically built upon that which came before, so the fundamental focus must remain on the core policy of providing incentives for new creativity that will continue to build on the past, while protecting the property and commercialization/monetization rights of original copyright owners in a manner that is fair and equitable. This is the balancing challenge that will continue to face the courts and perhaps Congress, and one they will continue to struggle with, especially in a digital world that easily facilitates the creation of “transformative” works based on preexisting copyrighted material.

1 17 U.S.C. § 107.
2 *Prince v. Cariou*, 784 F. Supp. 2d 337, 349 (S.D.N.Y. 2011).
3 510 U.S. 569 (1994).
4 *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013).
5 682 F.3d 687 (7th Cir. 2012).
6 510 U.S. at 582.
7 *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105, 1111 (1990).
8 17 U.S.C. §101.
9 103 Harv. L. Rev. at 1110.



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Upcoming Events Involving Herrick's Art Law Group

February 11, 2014

Louis Tuchman will be participating in a panel entitled "Appraisers and the IRS" for a program sponsored by the Appraisers Association of America in New York City.

March 12, 2014

Howard Spiegler will be speaking about recent developments concerning restitution and repatriation law at a program at the NYC Bar Association organized by the Art Law Committee.

Recent Events Involving Herrick's Art Law Group

November 1-2, 2013

Howard Spiegler and Stephen Brodie spoke at the Annual Congress of the Union Internationale des Advocats 57th Congress in Macau, China. Stephen Brodie addressed the major theme "Corruption and the Lawyer" as well as other issues, and Howard Spiegler organized and spoke at the program on Asian Art Law and Intellectual Property issues.

November 8, 2013

Yael Weitz participated in a panel entitled "Antiquities Case Studies" at the Appraisers Association of America Art Law Day at NYU.

November 9, 2013

Michelle Bergeron Spell participated in a panel entitled "Planning Strategies and Financial Tools for Your Clients" at the Appraisers Association of America National Conference.

November 14, 2013

Frank K. Lord spoke on the subject of "The AAMD, Archaeological Materials and Ancient Art: New Guidelines, Old Problems" at the DePaul University College of Law symposium entitled "Restitution and Repatriation: The Return of Cultural Objects" in Chicago, Illinois.

December 3, 2013

Charles M. Goldstein gave a presentation about the trove of art discovered in Munich, Germany, in the possession of Cornelius Gurlitt to the Art Law Committee of the New York City Bar Association.

December 5, 2013

Stephen Brodie spoke about the legal aspects of art loans to collectors at a brunch sponsored by Royal Bank of Canada at The Setai Hotel in Miami Beach, Florida.

December 7, 2013

Howard Spiegler and Stephen Brodie spoke on "Art Title Insurance: What Is It and Should You Get It?" at the art law salon at Miami Art Basel art fair.

December 15, 2013

Steven D. Feldman spoke on "Protecting Cultural Heritage as a Common Good of Humanity: A Challenge for Criminal Justice" at a conference presented by the International Scientific and Professional Advisory Council of the United Nations Crime Prevention and Criminal Justice Program ("ISPAC") in Courmayeur Mont Blanc, Italy. Steven spoke on a panel entitled, "Return, Restitution and Confiscation."

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