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FRIDAY, JUNE 22, 2012

Chicago Daily Law Bulletin

Volume 158, No. 123

Court follows different procedural approach in 'South Park' ruling

Oh, the indignities to which our judiciary is sometimes subjected! Judge Richard D. Cudahy — West Point grad, Army Air Corps, Yale Law — has sat on the 7th U.S. Circuit Court of Appeals for 33 years. My suspicion is that he is not a frequent viewer of the animated television show "South Park." My firm conviction is that before the recent case of *Brownmark Films v. Comedy Partners*, he never saw the music video called "What What (In the Butt)" (WWITB). Yet, in the interest of justice, he and two other members of the court had to endure viewing and hearing these works of art in deciding the case. Cudahy authored the court's opinion.

This copyright suit arose out of an episode of "South Park" that intended to satirize the phenomenon of inexplicably popular viral videos (of which WWITB is one) and the difficulty of monetizing Internet fame. In the episode, the foul-mouthed fourth-graders of South Park decide to make a viral video to raise money for an absurd cause (the nation of Canada has gone on strike because it is not getting a proper share of "Internet money" from viral videos and the boys intend to buy off the striking Canadians with the money they generate). The fourth-graders make their own WWITB video. It becomes a viral hit, but the boys learn that they can only generate "theoretical dollars," not real money.

The video they create is a parody of the real world version of WWITB, which features an adult male singing and dancing in tight pants. The "South Park" version recreates substantial portions of the original, with similar music, lyrics, dance moves and visual elements. The big difference is that the "South Park" version is performed by a naive 9-year-old character named Butters, dressed in a variety of costumes drawing attention to his innocence (teddy bear, astronaut and daisy). "South Park" did not obtain a license to use the original work and the lawsuit followed.

The ultimate question in this case is whether the television show's use of WWITB is a fair use under Section 107 of the Copyright Act. The statute requires courts to assess 1) the purpose and character of the use, including whether it is commercial, 2) the nature of the work, 3) the amount and substantiality of the portion used and 4) the effect on the market for the original work.

Parody is typically given a wide berth under the fair use doctrine, although it is not automatically fair use. The Supreme Court addressed the issue of fair use and parody extensively in *Campbell v. Acuff-Rose Music* and rejected the notion that parody is presumptively a fair use. "Parody may or may not be a fair use." Like any other use, parody "has to work its way through the relevant factors." As the *Campbell* case makes clear, the task of determining fair use "is not to be simplified by bright-line rules."

The 7th Circuit worked its way through the statutory fair use factors, though somewhat summarily since it agreed with the district court that "this is an obvious case of fair use." Under the first factor, the court found that the use was transformative, but the opinion made no mention of the commercial nature of the use. Though acknowledging that WWITB was a creative work under the second factor, it followed *Campbell* in finding that this factor carried little weight in a parody case. In assessing the third factor, the court noted that the amount taken was substantial and that the portion used was the heart of the original work. Nevertheless, it found the use reasonable because the parody did not serve as a market substitute for the original work. Similarly, under the fourth factor it found that the "South Park" episode would not adversely affect the market for the original music video. Drawing a lesson from the "South Park" episode, the court pointed out that "there is no Internet money" for the WWITB video on YouTube, only advertising dollars. And the ad revenues would likely increase as a result of the TV show's parody. It concluded that the show's parody was fair use.

INSIDE IP LAW

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> ***"The court granted summary judgment even though the plaintiff did not present evidence or affidavits in support of its position that the television show's use was not fair."***

The troubling part of this case is not the fair use analysis, but the procedural aspect of the ruling. In the district court, the defendant raised the fair use defense in a motion to dismiss under Rule 12(b)(6). Since fair use is an affirmative defense, it would normally be asserted in a summary judgment motion because a 12(b)(6) motion to dismiss tests the sufficiency of the plaintiff's allegations rather than the merits of a defense. In response, the plaintiff challenged this procedural deficiency rather than address the substance of the fair use defense. The district court ruled that a 12(b)(6) motion was proper, found fair use and dismissed the case.

Lesson learned — don't put all your eggs in a procedural basket. Though the 7th Circuit declined to enlarge Rule 12(b)(6) to consider affirmative defenses, it treated the motion as one for summary judgment. The problem for the plaintiff was that it had not addressed the substance of the fair use defense in the district court, so the 7th Circuit considered the argument waived. The court granted summary judgment even though the plaintiff did not present evidence or affidavits in support of its position that the television show's use was not fair. The plaintiff did not present substantive evidence because it was responding to a motion to dismiss, not a summary judgment motion.

In essence, the court ruled that nothing the plaintiff could have said would have changed its mind. While the parody finding seems otherwise sound, the procedural approach sets a troubling precedent. Optimally, a summary judgment on the merits should be based on substantive evidence submitted by both parties. The next case in which this procedural switch is performed by the court of appeals might not be as obvious as this case and that would be an indignity to a copyright owner with a colorable claim.