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RETHINKING DERIVATIVE RIGHTS*

Naomi Abe Voegtli†

INTRODUCTION

Copyrighted works are increasingly turning into “raw materials” that we use to engage in expressive activities. Today, children become acquainted with Barney and Big Bird through television shows, videos, books, songs, and toys, even before they learn to walk.¹ As children learn to express themselves, they incorporate these characters into their creative activities just like they incorporate other familiar objects, such as dogs, cats, and flowers. The importance of copyrighted works does not decrease as we grow older.² In fact, we continue to use them in various expressive activities.³

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¹ The copyright industries use licensing to exploit commercial potentials of popular characters, such as Barney. M. P. Dunleavy, *License To Publish: Rights Deals Between Book Publishers And Licensed Brand Names Are An Increasingly Lucrative Part of The Industry*, PUBLISHERS WKLY., Feb. 20, 1995, at 126 (quoting, from *The Licensing Letter*, that retail sales from book-related licenses are about \$1.5 billion a year). While Barney is a relatively new comer to the licensing market, Beatrix Potter, one of the biggest and oldest literary licenses that dates back to 1903, racks up \$500 million in annual earnings. *Id.*

² See MARSHAL McLuhan, *UNDERSTANDING MEDIA: THE EXTENSIONS OF MAN* 63-80 (1964) (recognizing that modern means of mass reproduction have shaped our consciousness besides entertaining us); Henry Jenkins III, *Start Trek: Rerun, Reread, Rewritten: Fan Writing as Textual Poaching*, in *CLOSE ENCOUNTERS: FILM, FEMINISM AND SCIENCE FICTION* 171, 172-73 (Constance Penley et al. eds., 1991) (observing that pop culture fans passionately embrace favored texts and attempt to integrate media representations within their own social experience).

³ See, e.g., Rosemary J. Coombe, *Authorizing the Celebrity: Publicity Rights*,

The new digital technology has made it easier to "raw materialize" copyrighted works. For instance, instead of scissors and glue, I could use a computer and scanner to reproduce a perfect digital copy of Mickey Mouse, transform it by changing its clothes and facial expression, and place it against a digital copy of my favorite painting. By paying a modest monthly fee to an Internet service provider, I could publish my work without going through a publisher and potentially reach millions of people.⁴ Others could reproduce my work and freely modify it. Moreover, I could create a global forum to share experiences and thoughts using Mickey Mouse as a communication medium. Not surprisingly, the World Wide Web ("Web") is already filled with individuals who engage in expressive activities by appropriating copyrighted works.⁵

Appropriation has been an integral part of creative process well before the arrival of the digital technology.⁶ For example, Andy Warhol became known for works that appropriate familiar images, such as a Campbell's soup can and Brillo box.⁷ Marcel Duchamp made sculptures out of "ready-made"⁸ objects with little alterations.⁹ In a critically acclaimed novel, *The*

Postmodern Politics, and Unauthorized Genders, 10 CARDOZO ARTS & ENT. L.J. 365, 366 (1992) (arguing that media images have become integral part of creative and political expressions of individuals); Margaret Chon, *Postmodern "Progress": Reconstructing the Copyright and Patent Power*, 43 DEPAUL L. REV. 97 (1993).

⁴ The size of Internet population in 1996 is estimated to be somewhere between 16.7 million and 27.2 million. TIME DIGITAL, Mar. 10, 1997, at 8. The Internet population is expected to at least double by the year 2000. *Id.*

⁵ *The Sticky Business of Web Sites; A New "Me Generation" Is Abusing Copyrights and Trademarks*, L.A. TIMES, Dec. 27, 1996, at B8.

⁶ Alexander Lindey gives examples of plagiarism found in many famous works created before the mid-twentieth century. ALEXANDER LINDEY, *PLAGIARISM AND ORIGINALITY* 62-230 (1952). See also Judith Gaines, *Of Copyrights and Copycats; The Famous Have Often Plagiarized-And Been Cheered For It*, BOSTON GLOBE, Nov. 27, 1988, at A21. For the development of appropriative arts, see John Carlin, *Culture Vultures: Artistic Appropriation and Intellectual Property Law*, 13 COLUM.-VLA J.L. & ARTS 103, 103-04, 108-111 (1988); E. Kenly Ames, *Beyond Rogers v. Koons: A Fair Use Standard for Appropriation*, 93 COLUM. L. REV. 1473, 1477-80 (1993).

⁷ R. CRONE, ANDY WARHOL (1970).

⁸ "Ready-made" is the term Duchamp invented for his Dada sculptures, which consisted entirely of readily available commercial goods. Carlin, *supra* note 6, at 109 n.18.

⁹ Duchamp's most famous works include a sculpture of a bicycle wheel mounted on a stool, entitled "Roue de Bicyclette" and a painting entitled "L.H.O.O.Q.P.", which is a copy of "Mona Lisa" with a mustache. See generally WALTER HOPPS ET

White Hotel, D. M. Thomas copied verbatim a testimony of a single survivor of the Babi Yar slaughter from a book called *Babi Yar* written by a Russian writer Anatoli Kuznetsov.¹⁰ Herman Melville copied portions of *Benito Cereno* from *A Narrative of Voyages and Travels in the Northern and Southern Hemispheres* by a little-known writer, Amasa Delano.¹¹ Both T. S. Eliot and William Shakespeare are well known for taking phrases from various sources.¹² In fact, some commentators argue that appropriation has been an integral part of creative process throughout the history.¹³

Furthermore there is ample evidence that suggests that an image of a great author as someone who creates a truly original work in a solitary environment is nothing but a myth. Prior to the Romantic Era, authors were seen as mere craftsmen or stenographers of the Divine Spirit, who simply transcribed what had already existed.¹⁴ Hence, works existed without attribution to authors and were free to be used and reused by others.¹⁵ Even today, one study of creative writing shows that:

[T]he traditional model of solitary authorship is more myth than reality, that much of most of the writing produced in professional

AL., MARCEL DUCHAMP: READY-MADES, ETC. (1913-1964) (1964).

¹⁰ The publisher of *Babi Yar* never went to court or brought any pressure to bear on Thomas or on this publisher. ALVIN KERNAN, *THE DEATH OF LITERATURE* 120 (1990). Among literary circles, there was little "explicit" criticism of Thomas's conduct. *Id.*

¹¹ Most critics, however, concluded that Melville transformed Delano's rather ordinary narrative into a work of genius. See Gaines, *supra* note 6.

¹² See LINDEY, *supra* note 6, at 74-75; KENNETH MUIR, *THE SOURCES OF SHAKESPEARE'S PLAYS* (1978); RICHARD A. POSNER, *LAW AND LITERATURE: A MISUNDERSTOOD RELATION* 338-349 (1988) (illustrating how Shakespeare and T. S. Eliot transformed Sir Thomas North's translation of *Plutarch*).

¹³ See, e.g., James Boyle, *The Search for an Author: Shakespeare and the Framers*, 37 AM. U. L. REV. 625 (1988) [hereinafter Boyle, *Search for Author*]; KERNAN, *supra* note 10.

¹⁴ See, e.g., Boyle, *Search for Author*, at 628-33; KERNAN, *supra* note 10, at 110.

¹⁵ See, e.g., Max W. Thomas, *Reading and Writing the Renaissance commonplace Book: A Question of Authorship?*, 10 CARDOZO ARTS & ENT. L.J. 665 (1992) (describing a "commonplace book" during the Renaissance era, in which a variety of poetic texts from different poets were gathered without attribution; also stating that texts of poems in commonplace books "remained highly variable in the sense that a later hand was free to alter it, improve it, and/or incorporate it in unrelated poems"); EARNEST P. GOLDSCHMIDT, *MEDIEVAL TEXTS AND THEIR FIRST APPEARANCE IN PRINT* (1943) (describing writing practices in the Medieval era).

settings in America is done collaboratively, and that, in fact, much of what is called "creative" writing is collaborative as well, though it also always flies under the banner of single authorship.¹⁶ In Edward Young's words, "[s]o few are our originals, that if all other books were burnt, the lettered world would resemble some metropolis in flames, where a few incombustible buildings—a fortress, a temple, a tower—lift their heads in melancholy grandeur, amid the mighty ruin."¹⁷

Despite the importance of appropriation in creative process, it is generally prohibited under the Copyright Act of 1976¹⁸ ("the 1976 Act") unless an appropriated work either belongs to the public domain or is licensed from its copyright owner. In the next section, I review cases that deal with appropriative art. These cases show that an artist who appropriates a copyrighted work is often found liable for copyright infringement, even when the artist takes only a small amount of a copyrighted work, transforms it considerably before incorporating it, and produces a critically acclaimed work.¹⁹

Given the importance of appropriation in various fields of art and other expressive activities, current copyright law seems, at least, counter-intuitive. To explain how an act of appropriation has become an act of stealing under copyright law, this Article briefly traces the evolution of Anglo-American copyright law since its birth in 1709,²⁰ focusing on the development of derivative rights. I then evaluate various theories given in support of derivative rights and conclude that broad derivative rights under the current copyright system: (1) inhibit socially beneficial creative activities; (2) result in a reward system in which the size of the reward has little to do with the amount of labor put in to create the work; (3) grant protection against exploitive use even for works with little personality interest; (4) ignore the true nature of authorship; (5) limit

¹⁶ Andrea A. Lunsford & Lisa Ede, *Collaborative Authorship and the Teaching of Writing*, 10 CARDOZO ARTS & ENT. L.J. 681, 682 (1992).

¹⁷ LINDEY, *supra* note 6, at 14 (quoting EDWARD YOUNG, CONJECTURES ON ORIGINAL COMPOSITION (1759)). Lindey states that "[h]istorically viewed, all artistic creativity is related and interdependent, continuous and cumulative. Every work, past and present, is but a link in the chain." LINDEY, *supra* note 6, at 273.

¹⁸ 17 U.S.C. § 101 inclusive sections (1994).

¹⁹ One small exception to this general rule are works of parody, for which the courts excuse appropriation as fair use. *See infra* Part I.C.

²⁰ The Statute of Anne, 8 Anne c. 19 (1709) (giving authors and their assigns the exclusive right to "print, reprint, or import" their books).

democratic discourse; and (6) frustrate people's reasonable expectations with respect to copyrighted works. I then explore three alternatives for restricting derivative rights: (1) the use of compulsory licensing; (2) the application of the fair use doctrine to an appropriative use; and (3) the revision of the definition of a "derivative work." I conclude that the last alternative is most desirable in terms of achieving the ultimate goal of copyright law, that is to "promote the Progress of Science and useful Arts."²¹

I. APPROPRIATIVE WORKS UNDER THE 1976 COPYRIGHT ACT

An artist who engages in appropriative art faces a threat of copyright infringement liability under the theory that her work infringes copyright owner's reproduction or derivative rights.²² The artist will be found liable for copyright infringement if the copyright owner establishes that the artist copied her work and that this copying resulted in substantial similarities between expressions of two works.²³

In analyzing copyright infringement cases involving derivative works, I include those cases in which courts found a work in violation of reproduction rights instead of derivative rights. This is because there seems to be some overlap between these two rights. For example, when a defendant makes a statue by copying a plaintiff's two-dimensional work, some consider it a violation of reproduction rights rather than derivative rights.²⁴ Hence, I consider cases in which an accused infringer

²¹ U.S. CONST. art. I, § 8, cl. 8.

²² Under the 1976 Act, exclusive rights of copyright owners include right "to reproduce the copyrighted work in copies or phonorecords" and "to prepare derivative works based upon the copyrighted work" 17 U.S.C. § 106 (1994). For examples of copyright liabilities faced by appropriate artists, see Carlin, *supra* note 6, at 126-140.

²³ To prevail in a copyright infringement action, plaintiff must prove both (1) that defendant copied from plaintiff's copyrighted work and (2) that the copying (assuming it to be proved) went so far as to constitute improper appropriation. *Arnstein v. Porter*, 154 F.2d 464, 468 (2d Cir. 1946).

²⁴ 2 WILLIAM F. PATRY, COPYRIGHT LAW & PRACTICE 825-26 (1994). Professor Patry states that copying of a work into a different medium should be considered as violating derivative rights, although many courts deal with copying in the reproduction right context. *Id.* See, e.g., *Rogers v. Koons*, 960 F.2d 301 (2d Cir.), *cert. denied*, 506 U.S. 934 (1992); *Warner Bros., Inc. v. ABC*, 654 F.2d 204 (2d Cir. 1981).

appropriated a copyrighted work in order to create a "new" work regardless of whether reproduction or derivative rights were involved.²⁵

A. *Derivative Rights: In General*

The 1976 Act defines a "derivative work" broadly:

A "derivative work" is a work based upon one or more pre-existing 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 adopted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a "derivative work."²⁶

Thus, any work that incorporates a portion of a copyrighted work in some form presumably falls within the statutory definition of a "derivative work."

1. The Originality Requirement

Courts disagree on whether a work must be independently copyrightable to be considered a "derivative work."²⁷ The Ninth Circuit held that a party bringing a copyright action for an alleged infringement of its exclusive rights to create derivative works need not show originality in an alleged derivative work.²⁸ The Second Circuit, however, states that an alleged

²⁵ Professor Goldstein proposes the line between the reproduction right and the derivative right be drawn at the "point at which the contribution of independent expression to an existing work effectively creates a new work for a different market." Paul Goldstein, *Derivative Rights and Derivative Works in Copyright*, 30 J. COPYRIGHT SOC'Y 209, 217 (1983).

²⁶ 17 U.S.C. § 101 (1994).

²⁷ The Supreme Court made originality a constitutional requirement for copyright protection. *Feist Publications, Inc. v. Rural Telephone Serv. Co.*, 499 U.S. 340, 345 (1991) (holding that a white page telephone directory that lists names of all service subscribers in an alphabetical order failed to meet originality requirement and thus not copyrightable). The standard of originality required is low. *Id.* at 362.

²⁸ *Galoob Toys, Inc. v. Nintendo of America, Inc.*, 964 F.2d 965, 967-68 (9th Cir. 1992). When a party is seeking a copyright for a derivative work, even the Ninth Circuit requires a showing of originality. *Id.* Commentators have criticized the Ninth Circuit's dual definition. For example, Melvin Nimmer questioned a district court decision in *Mirage Edition, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d

derivative work must contain sufficient creativity and originality to be deemed to infringe derivative rights.²⁹ In other words, a work that itself is not independently copyrightable can constitute a derivative work for a purpose of a copyright infringement action in the Ninth Circuit but not in the Second Circuit.

As a result, an appropriator who is in a business of selling a slightly altered version of a copyrighted work that she purchased would face an uncertain future in a copyright infringement suit. Under the Ninth Circuit definition of a derivative work, even a trivial alteration would result in a derivative work, and thus the appropriator would be deemed to infringe derivative rights.³⁰ In contrast, under the Second Circuit definition, the appropriator would escape copyright infringement liability under the first sale doctrine,³¹ as long as her alteration does not amount to a variation that is enough to satisfy the originality standard.³²

1341 (9th Cir. 1988), in which the court held that removing reproduction of art works from a "compilation of selected copyrighted individual art works," and thereafter mounting those reproduction onto ceramic tile, resulted in the creation of derivative work. *MELVILLE B. NIMMER & DAVID NIMMER, 1 NIMMER ON COPYRIGHT*, § 3.03 (1996).

²⁹ *Woods v. Bourne Co.*, 60 F.3d 978, 993 (2d Cir. 1995). *See also Lee v. Dec the Walls, Inc.*, 925 F. Supp. 576 (N.D. Ill. 1996) (adopting the Second Circuit definition of a derivative work).

³⁰ *See, e.g., Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341 (9th Cir. 1988) (finding that defendant who sold ceramic tiles with a copyrighted art print mounted on it infringed plaintiff's copyright in the art print); *Munoz v. Albuquerque A.R.T. Co.*, 829 F. Supp. 309 (D. Alaska 1993) (defendant, who purchased artist's notecards, mounted the notecards onto ceramic tiles, and distributed the resulting ceramic tiles, was found liable for copyright infringement); *Greenwich Workshop, Inc. v. Timber Creations, Inc.*, 932 F. Supp. 1210 (C.D. Cal. 1996) (granting summary judgment in favor of plaintiff by finding that defendant who matted and framed bookplates infringed plaintiff's copyrights in both the artwork and the book).

³¹ The first sale doctrine, codified at 17 U.S.C. § 109 (1994), gives a purchaser of a copyrighted work a right to sell the work. In other words, the doctrine "provides, in essence, that once the copyright owner has transferred ownership of a particular copy of the work, the person to whom the copy has been transferred is entitled to dispose of it by sale, rental, or any other means." *Parfums Givenchy v. C & C Beauty Sales*, 832 F. Supp. 1378, 1385 (C.D. Cal. 1993) (citing *H.R. REP. NO. 94-1476*, 79 (1976)).

³² *Lee*, 925 F. Supp. at 578-82 (holding that mere mounting of a copyrighted art print on a ceramic tile did not result in a new and different original work, and thus was not a derivative work).

It is important to keep in mind that even under the standard of the Second Circuit, a Web publisher who posts a framed version of a copyrighted work would not escape copyright infringement liability even if her alteration is not enough to satisfy the originality requirement. This is because a digital copy can be reproduced infinitely by anyone who accesses her Web site. To escape copyright liability, she must have legal right to each copy distributed over the Web.³³

2. The Amount of Copying

Even when an appropriator takes a very small amount of expression from a copyrighted work, her work may be considered infringing. For example, in *Roth Greeting Cards v. United Card Company*,³⁴ a defendant's greeting card, which copied neither the copyrighted text nor copyrighted art work of a plaintiff's card, was found liable for copyright infringement due to the similarity in "total concept and feel" of two cards. In other words, the court found similarity in a "mood" and an overall arrangement of text and art work.³⁵

Courts have given little guidance as to the quantum of similarity in the "total concept and feel" necessary to become liable for copyright infringement. Professor Melvin Nimmer states that the question in each case is whether the similarity relates to a matter that constitutes a substantial portion of a plaintiff's work.³⁶ In answering this question, Professor Nimmer recommends using the following as the guiding principle: "If so much is taken, that the value of the original is sensibly diminished, or the labors of the original author are substantially to an injurious extent appropriated by another, that is sufficient, in point of law, to constitute a piracy *pro tanto*."³⁷ As applied to appropriative art, as long as a resulting

³³ *Id.* at 582 ("For each tile generated by [defendant], [defendant] must purchase a notecard originally sold by [copyright owner].").

³⁴ 429 F.2d 1106 (9th Cir. 1970).

³⁵ *Id.* at 1110.

³⁶ NIMMER, *supra* note 28, § 13.03[A][2].

³⁷ NIMMER, *supra* note 28, §13.03[A][2] (citing *Folsom v. Marsh*, 9 F. Cas. 342, 348 (C.C.D. Mass. 1841) (No. 4,901) (Story, J.)).

work does not compete in the same market as the original, an artist should be able to escape copyright infringement charge under this principle.

B. *Post-Modern Art and Rap Music*³⁸

Appropriation is considered an essential component of a Post-Modern art expression.³⁹ In fact, appropriation in Post-Modern art finds its conceptual justification in semiotics,⁴⁰ and its artistic roots in Modernism.⁴¹ One commentator explains the significance of appropriation in Post-Modern art as follows:

The rise of semiotic figuration in late twentieth-century art and theory must be recognized in order to accept the legitimacy and social value of Appropriation. To understand Appropriation as transcending re-use or plagiarism one must accept that our social environment is increasingly determined by simulated signs, and that the realm of the "imaginary" has supplanted that of the "real" in determining our sense of self and nature. As a result, artists now represent beer cans and coke bottles as readily as they once did apples and oranges.

The semiotic basis of Post-Modern art is precisely what makes Appropriation both central to and unavoidable in contemporary representation. The referent in Post-Modern art is no longer "nature," but the closed system of fabricated signs that make up our environment. In the nineteenth century realistic painters from Thomas Cole through Claude Monet strove to accurately represent nature as it appeared to the eye, divorced from the cultural biases

³⁸ Another area where the rights of appropriator and copyright owner often collide is adaptations of a novel into a movie or television series. When transforming a book into a movie or television series, it is not uncommon that the end product contains little more than the title and character names of original work. The courts, however, often find infringement even when a movie or television series has little in common with the book version. *See, e.g., Filmvideo Releasing Corp. v. Hastings*, 509 F. Supp. 60 (S.D.N.Y.), (finding infringement based on similarities in overall mood, message, general theme and total concept).

³⁹ *See Ames, supra* note 6, at 1477-80.

⁴⁰ Semiotics is the study of meaning and of communication. *See generally CLASICS OF SEMIOTICS* (Martin Krampen et al. eds., 1987) (overview of basic semiotic theory).

⁴¹ Modernism is the "aesthetic ideology which has dominated artistic practice in the west for approximately [135] years." JOHN A. WALKER, *ART IN THE AGE OF MASS MEDIA* 80 (1983). Modernism challenges the traditional notion of originality and authorship upon which value in fine art typically has been judged by deliberate appropriation of existing art works. *Id.*

that had built up for hundreds of years. In the present century culture functions as the ideal artistic referent. Consequently, contemporary artists like [Jasper] Johns, [Andy] Warhol, or David Salle⁴² should be free to reproduce our "nature," even if some of it is made from commercial signs and imagery that are protected by copyright and trademark. Furthermore, society needs artists to comment upon corporate imagery in order to balance its monopoly over our sense of social reality.⁴³

Direct incorporation of existing works is evident in many critically acclaimed works by Modern and Post-Modern novelists, artists, and musicians.⁴⁴ In literature, more notable works include T. S. Eliot's *The Wasteland*, Ezra Pound's *Cantos*, and James Joyce's *Ulysses*. In music, sampling of copyrighted works is widely used not only by rap musicians but also by more "serious" musicians like John Cage.⁴⁵ In art, Jasper Johns,⁴⁶ Marcel Duchamp,⁴⁷ and Andy Warhol lifted preexisting images to create critically acclaimed works. Some Post-Modern artists express their creativity through the deliberate copying of a pre-existing work without modification. For example, Sherrie Levine, whose work was included in the 1985 biennial at the Whitney Museum of American Art, engages in photographing of photographs to challenge the assumption of originality. Levine states that:

The world is filled to suffocating. Man has placed his token on every stone. Every work, every image is leased and mortgaged. We know that a picture is but a space in which a variety of images, none of them original, blend and clash. A picture is at issue of quotations drawn from the innumerable centers of culture.⁴⁸

⁴² Salle is known for paintings in which an appropriated image is reproduced many times. Carlin, *supra* note 6, at 107 n.15.

⁴³ Carlin, *supra* note 6, at 110-11.

⁴⁴ See generally Carlin, *supra* note 6, at 103-111; 126-40.

⁴⁵ Carlin, *supra* note 6, at 106 n.14. John Cage was an American composer who is noted for his unorthodox theories and experimental composition. See generally DAVID REVILL, *THE ROARING SILENCE: A BIOGRAPHY OF JOHN CAGE* (1997); JOHN CAGE & JOAN RETALLACK, *CAGE MUSES ON WORDS, ART, MUSIC* (1996). In particular, he composed aleatories or "chance" music in which elements are derived by use of multiple music compositions scored for multiple radios tuned at random.

⁴⁶ Johns pioneered the quotation of pre-existing two-dimensional imagery, such as flags, targets, numbers, maps, etc., in art. See Carlin, *supra* note 6, at 110.

⁴⁷ See generally HOPPS, *supra* note 9.

⁴⁸ Carlin, *supra* note 6, at 137-38 (quoting *Magazine of the Wardsworth Athenaeum* 7 (Spring 1987)).

Like Levine, Victor Burgen, John Baldessari, and Richard Prince became celebrated for rephotographed photographs.

Courts have often equated appropriative art activity to "stealing," and have not hesitated to find copyright infringement even when appropriation was consistent with the style of art practiced by an accused infringer.⁴⁹ In fact, courts generally rejected the "artistic style" defense. Admittedly, these artists could have obtained licensing before they used copyrighted works. Yet, licensing adds a considerable overhead in terms of time and money and can be prohibitively expensive for works that combine bits and pieces from many different sources. Consequently, copyright law as currently applied by the courts discourages Post-Modern art, which relies heavily on appropriation, as illustrated in the following cases.

1. *Rogers v. Koons*⁵⁰

Plaintiff, an artist-photographer, accused defendant, a commercially successful sculptor,⁵¹ of infringing his copyright on a photograph entitled "Puppies." Plaintiff's photograph depicted a husband and wife holding eight German Shepherd puppies, in black and white. Plaintiff earned a modest compensation through selling, exhibiting, and licensing the photograph. Defendant decided to turn "Puppies" into a sculpture and mailed a postcard version of "Puppies" to a foundry with instructions to make a sculpture that would be "just like" the photo.⁵² Defendant made four copies of a sculpture, entitled

⁴⁹ See, e.g., *Rogers v. Koons*, 960 F.2d 301 (2d Cir. 1992); *Grand Upright Music Ltd. v. Warner Brothers Records, Inc.*, 780 F. Supp. 182 (S.D.N.Y. 1991).

⁵⁰ 960 F.2d 301 (2d Cir. 1992).

⁵¹ Jeffrey Koons was known as one of the leading Neo-Geo artists, who appropriated a wide variety of commercial images. Carlin, *supra* note 6, at 126 n.99. Koons created a series of art works that literally exhibited mass printed commercial advertising as used in the trade, without repainting or collaging them. Carlin, *supra* note 6, at 126 n.99. Koons's works "have been acquired by museums around the world, including the Museum of Modern Art in New York, and prices for them exceeded \$400,000." Paul Taylor, *The Art of P.R., and Vice Versa*, N.Y. TIMES, Oct. 27, 1991, at B1.

⁵² In summarizing defendant's creative process, the court emphasized defendant's detailed instruction given by Koons to the foundry requiring that "work must be just like photo—features of photo must be captured," including couple's posture, wife's expression, and appearance of puppies' fur. *Rogers*, 960 F.2d at 305.

"String of Puppies" and sold three of them for \$367,000.⁵³ The fourth copy was displayed at the Sonnabend Gallery.⁵⁴

In upholding summary judgment in favor of plaintiff on the copyright infringement claim, the Second Circuit flatly rejected defendant's fair use defense.⁵⁵ The court seemed to accept the defendant's claim that:

He belongs to the school of American artists who believe the mass production of commodities and media images has caused a deterioration in the quality of society, and this artistic tradition of which he is a member proposes through incorporating these images into works of art to comment critically both on the incorporated object and the political and economic system that created it.⁵⁶

However, the court refused to take into account defendant's artistic style in its fair use analysis.⁵⁷ It stated that the consideration of artistic style would make the boundary of the fair use defense intractable.⁵⁸ Likewise, the court rejected defendant's claim that his appropriation was similar to that of a parodist's because both intended to use appropriation to engage in social criticism, and stated that: "It is not really the parody flag that [defendant is] sailing under, but rather the flag of piracy."⁵⁹

Interestingly, some commentators suggest that the court was wrong in finding substantial similarity in the two works, for viewers of each work would perceive it very differently: "[Defendant] depicts a couple with clown faces painted in garish colors with daisies in their hair. They are embracing eight gigantic blue puppies sporting bulbous noses. . . . Gone is the

⁵³ *Id.*

⁵⁴ *Id.*

⁵⁵ Even before *Rogers*, the courts found that a statue of a two-dimensional copyrighted work infringed the copyright of the work used. See, e.g., *Fleischer Studios, Inc. v. Ralph A. Freundlich, Inc.*, 73 F.2d 276 (2d Cir. 1934) (holding that the two-dimensional copyrighted cartoon of the character called "Betty Boop" was infringed by a three-dimensional form of doll that reproduced the essential characteristics of the copyrighted character).

⁵⁶ *Rogers*, 960 F.2d at 309.

⁵⁷ As to the four fair use factors in § 107, the Second Circuit found that (1) defendant's use was for a primarily commercial purpose; (2) defendant copied the creative, imaginative work by plaintiff; (3) defendant copied "the essence of photograph"; and (4) the commercial nature of defendant's work gave rise to a presumption of economic harms to plaintiff's photograph. *Id.* at 310-12.

⁵⁸ *Id.* at 310.

⁵⁹ *Id.* at 311.

"charming" and cuddly warmth of [plaintiffs] photograph, and in its place is a garish, perhaps horrifying, perhaps hilarious image.⁶⁰

Following this case, Koons lost two additional copyright infringement cases also involving a sculpture based on a copyrighted image.⁶¹

2. Digital Sampling Cases⁶²

The digital sampling cases indicate that the courts have little tolerance toward this widely used technique for music composition.⁶³ For example, a district court judge found that a rap artist who digitally sampled a portion of an old pop song, "Alone Again (Naturally)," was liable for copyright infringement, although the appropriated portion consisted a short keyboard riff in the introduction of the original song and the two songs were utterly unlike each other and reached completely different markets.⁶⁴ The judge opened his opinion by stating that: " 'Thou shalt not steal' has been an admonition

⁶⁰ Lynne A. Greenberg, *The Art of Appropriation: Puppies, Piracy, and Post-Modernism*, 11 CARDOZO ARTS & ENT. L.J. 1, 26-27 (1992). See also Marlin H. Smith, Note, *The Limits of Copyright: Property, Parody, and the Public Domain*, 42 DUKE L.J. 1233, 1251 (1993) ("Puppies is a realistic portrait of a proud couple and their pets. String of Puppies, in contrast, is a garishly painted sculpture featuring clown-nosed, blue dogs, and an insipid, smiling couple with flowers in their hair.").

⁶¹ *Campbell v. Koons*, No. 91 Civ. 6055, 1993 WL 97381 (S.D.N.Y. April 1, 1993) (plaintiff's copyright in photograph "Boys with Pig" infringed by sculpture); *United Feature Syndicate, Inc. v. Koons*, 817 F. Supp. 370 (S.D.N.Y. 1993) (sculpture infringed plaintiff's copyright in comic strip character Odie).

⁶² In digital sampling, artists reuse, manipulate or combine digitized form of recorded sound using a digital data processing machine such as a computerized synthesizer. Rap musicians have made extensive use of digital sampling in the composition of their songs. David Sanjek, *"Don't Have to DJ No More": Sampling and the 'Autonomous' Creator*, 10 CARDOZO ARTS & ENT. L.J. 607 (1992). The form of digital sampling practiced by rap artists usually appropriates a minimal amount of well-known melody, which has the effect of catching listeners' attention to their songs. *Id.* at 612-13.

⁶³ Judges are not alone in showing distaste or little tolerance toward the practices of digital sampling. One popular music critic wrote: "[I]t sometimes seems that sophisticated copying has overtaken innovation, that an exhausted culture can only trot out endless retreads." Jon Pareles, *In Pop, Whose Song Is It, Anyway?*, N.Y. TIMES, Aug. 27, 1989, B1.

⁶⁴ *Grand Upright Music Ltd. v. Warner Brothers Records, Inc.*, 780 F. Supp. 182 (S.D.N.Y. 1991).

followed since the dawn of civilization."⁶⁵ In his view, digital sampling was nothing more than "stealing," although it was often accompanied by significant creative addition and has been used widely by music composers.⁶⁶

In two other digital sampling cases, judges refused to grant summary judgment on copyright infringement issue in favor of defendant.⁶⁷ They both rejected defendant's claim that what was taken was uncopyrightable and that, even if copyrightable, there was no substantial similarity. While both judges said little on artistic contributions made by defendant, they seemed to go out of their way to find originality in what little was appropriated.

C. *The Fair Use Doctrine*

The fair use doctrine enables courts to curb the monopoly given to a copyright owner in order to serve greater public interest.⁶⁸ The Supreme Court has explained fair use as a doctrine that "permits the courts to avoid rigid application of the copyright statute when on occasion, it would stifle that very creativity which the law is designed to foster."⁶⁹ Section 107 of the 1976 Act gives a nonexclusive list of possible fair uses, including uses for the purpose of criticism, comment, news reporting, teaching, scholarship, or research.⁷⁰

⁶⁵ *Id.* at 183 (footnote omitted).

⁶⁶ The judge also accepted the fact that digital sampling was a widely used technique for music composition. *Id.* at 185.

⁶⁷ *Jarvis v. A&M Records*, 827 F. Supp. 282 (D.N.J. 1993) (in a partial denial of defendant's motion for summary judgment, the court found that sound and phrases "ohhs," "moves" and "free your body," i.e. what was appropriated by defendant, are expressions with a distinctive melody/rhythm that is capable of being infringed); *Tin Pan Apple Inc. v. Miller Brewing Co.*, 30 U.S.P.Q. 2d (BNA) 1791 (S.D.N.Y. Feb. 23, 1994) (declining to hold, as matter of law, that defendant's digital sampling of works, "hugga hugga" and "brrr," from plaintiff's song constituted non-infringing copying of non-copyrightable material).

⁶⁸ HOARCE G. BALL, *THE LAW OF COPYRIGHT AND LITERARY PROPERTY* 260 (1944) (fair use is "a privilege in others than the owner of a copyright to use the copyrighted material in a reasonable manner without his consent, notwithstanding the monopoly granted to the owner").

⁶⁹ *Stewart v. Abend*, 495 U.S. 207, 236 (1990) (quoting *Iowa State Univ. Research Found. v. American Broad. Cos.*, 621 F.2d 57, 60 (2d Cir. 1980)).

⁷⁰ 17 U.S.C. § 107 (1994).

In determining whether the use made of a work in any particular case is a fair use, the courts are to consider the following four factors:⁷¹

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.

Although the legislative history of the Act clearly indicates that these statutory factors are not exclusive,⁷² most courts structure their analysis of fair use claims around the evaluation of each of the four factors.⁷³

The fact specific nature of the fair use doctrine makes it both difficult and unwise to predict its applicability to appropriative works in general.⁷⁴ Yet, a brief look at these four factors suggests that many appropriative works would have a difficult time meeting the fair use standard, because of the following reasons: First, the purpose of the use is often commercial; second, appropriative works generally do not fall within a category of works for which the courts have traditionally granted fair use (the Second Circuit refused to consider artistic tradition to which an accused infringer adheres⁷⁵); third, appropriative works often take a substantial portion of the original and/or a portion of the original that is considered most valuable; and fourth, many appropriative works appeal to a different audience, and thus have little effect on the market of the original. Furthermore, appropriative works, by increasing the exposure of the original, may actually enhance the market

⁷¹ *Id.*

⁷² See H.R. REP. NO. 94-1476, at 66 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5679.

⁷³ See, e.g., *Stewart*, 495 U.S. at 237-38.

⁷⁴ See, e.g., Lloyd L. Weinreb, *Fair's Fair: A Comment on the Fair Use Doctrine*, 103 HARV. L. REV. 1137, 1138 (1990) ("[F]air use has historically been and ought to remain . . . an exemption from copyright infringement for uses that are fair. What is fair is . . . fact-specific and resistant to generalization . . .").

⁷⁵ *Rogers v. Koons*, 960 F.2d 301, 310 (2d Cir. 1992).

value of the original. However, the Second Circuit in *Rogers* presumed a negative economic effect based on the commercial nature of defendant's appropriative work.⁷⁶

1. *Campbell v. Acuff-Rose Music, Inc.*⁷⁷

When a work is categorized as parody, courts are generally more willing to excuse appropriation as a fair use.⁷⁸ For example, in *Campbell v. Acuff-Rose Music, Inc.*, the Supreme Court categorized 2 Live Crew's rap version of "Oh, Pretty Woman"⁷⁹ as parody and allowed the fair use defense,⁸⁰ although the use was commercial and the appropriated expressions were copyright protected expressions that touched the heart of the original.⁸¹ This permissive attitude toward appropriation by a parodist arguably flows from the recognition of parody as a valuable art form⁸² and of likely unwillingness of copyright owners to license their work for the use in parody.⁸³

⁷⁶ *Id.* Cf. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994) (finding little economic effect on the original for a parody despite its commercial nature).

⁷⁷ 510 U.S. 569 (1994).

⁷⁸ See *supra* note 68 and accompanying text.

⁷⁹ "Oh, Pretty Woman" is a rock ballad composed by Roy Orbison and William Dees in 1964. *Campbell*, 510 U.S. at 572. Acuff-Rose, a copyright owner of the song declined to license the song to 2 Live Crew despite the request by 2 Live Crew's manager. *Id.*

⁸⁰ Compared to digital sampling cases discussed above, Justice Souter seemed to give more recognition to the artistic or social value of rap music. For example, he defined a rap music as follows: "style of black American popular music consisting of improvised rhymes performed to a rhythmic accompaniment." *Id.* at 572 n.1 (quoting THE NORTON/GROVE CONCISE ENCYCLOPEDIA OF MUSIC 613 (1988)).

⁸¹ *Id.* at 583-89. As for the effect of the appropriative use upon the potential market for or value of the copyrighted work, the Court stated that a parody was less likely to affect that market for the original because a parody was unlikely to act as substitute for the original. *Id.* at 591.

⁸² See, e.g., *Berlin v. E.C. Publications, Inc.*, 329 F.2d 541, 545 (2d Cir. 1964) ("[A]s a general proposition, we believe that parody and satire are deserving of substantial freedom—both as entertainment and as a form of social and literary criticism.").

⁸³ See also *Fisher v. Dees*, 794 F.2d 432, 440 (9th Cir. 1986) (finding that "When Sonny Sniffs Glue," a parody of "When Sunny Gets Blue," is fair use). See generally Wendy J. Gordon, *Fair Use As Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors*, 82 COLUM. L. REV. 1600, 1633 (1982) [hereinafter Gordon, *Fair Use*] (because a parody, by definition, ridicules, scorns and generally makes fun of the work for which a license is being sought, a license is unlikely to be granted, creating a market failure which makes a broad application of the fair use appropriate).

Consequently, appropriation by a parodist is likely to be excused as a fair use, as long as the parodist takes no more than necessary to make the parody, that is, what is necessary to conjure up at least enough of the original.⁸⁴

Justice Souter states that "[t]he threshold question when fair use is raised in defense of parody is whether a parodic character may reasonably be perceived," regardless of whether a parody is in good taste or bad.⁸⁵ For a work to be judged to possess "a parodic character," several factors are considered.⁸⁶ The most important factor is whether a work is "reasonably perceived as commenting on the original or criticizing it, to some degree."⁸⁷ Additional factors include whether the parodic element is slight or great, and whether the copying is small or extensive in relation to the parodic element.⁸⁸ It is not required that an artist label her work as parody.⁸⁹

Most appropriative works are unlikely to fall within the parody category. First, many appropriative works do not appropriate in order to directly criticize the original.⁹⁰ In fact, it is

⁸⁴ *Campbell*, 510 U.S. at 588. Cf. *Elsmere Music, Inc. v. National Broad. Co.*, 623 F.2d 252, 253 n.1 (2d Cir. 1980) ("Even more extensive use [than that necessary to 'conjure up' the original] would still be fair use, provided that parody builds upon the original . . . contributing something new for humorous effect or commentary.")

⁸⁵ *Campbell*, 510 U.S. at 582.

⁸⁶ Whether a work can be considered a parody is judged on case by case basis. *Id.* at 581 ("[P]arody, like any other use, has to work its way through the relevant factors, and to be judged case by case, in light of the ends of the copyright law"). In finding 2 Live Crew's song as a parody of Roy Orbison's "Oh, Pretty Woman," Justice Souter assessed 2 Live Crew's work as follows:

2-Live Crew juxtaposes the romantic musings of a man whose fantasy comes true, with degrading taunts, a bawdy demand for sex, and sigh of relief from paternal responsibility. The later words can be taken as a comment on the naivete of the original of an earlier day, as a rejection of its sentiment that ignores the ugliness of street life and the debasement that it signifies.

Id. at 583.

⁸⁷ *Id.* Justice Souter elaborated upon the Court's analysis of this factor:

If . . . the commentary 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 the 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, loom larger.

Id. at 580.

⁸⁸ *Id.* at 580 n.14.

⁸⁹ *Id.* at 583 n.17.

⁹⁰ For example, Koons appropriated another's copyrighted work in order to

not uncommon for an artist to take from many different sources to create a work,⁹¹ thus making it even harder to satisfy this factor. To the extent an appropriative work fails to directly criticize the original, Justice Souter warns that "[the] claim to fairness in borrowing from another's work diminishes accordingly."⁹² Second, a parody is often meant to be funny, while most appropriative works, like most creative works, are not. Third, appropriative artists often allocate lesser-known works,⁹³ but courts are more inclined to accept a parody defense when an appropriated work is well known.⁹⁴ Once an appropriative work falls outside the parody category, the four statutory factors weigh against a finding of fair use, especially if the work takes from the essence of the original with little transformation for a commercial purpose.⁹⁵

2. *Twin Peaks Productions, Inc. v. Publications Int'l, Ltd.*⁹⁶

Web pages that comment on popular movies or television shows proliferate over the Internet.⁹⁷ Although these pages are generally run for a noncommercial purpose by an individual, the Second Circuit decision in *Twin Peaks* suggests that the use of copyrighted works in these Web pages may not be excused as a fair use.

criticize society as a whole. *Rogers v. Koons*, 960 F.2d 301, 309 (2d Cir. 1992).

⁹¹ It is not uncommon for a single music piece to combine digital samples from as many as 100 sources. Rick Vanderknyff, *Positively Outspoken Negativeland; Pop Music: The Band Takes To Bogart's The Kind Of Electronic Message of Artistic Freedom That Got It Into Legal Trouble With U2*, L.A. TIMES, May 8, 1993, at F1.

⁹² *Campbell*, 510 U.S. at 580.

⁹³ For example, Koons used Rogers's little known "Puppies" because it portrayed a typical American scene. *Rogers*, 960 F.2d at 305.

⁹⁴ *Compare* *Elsmere Music Inc. v. National Broad. Co.*, 482 F. Supp. 741 (S.D.N.Y.) (finding parody of "I Love New York" fair use) *with* *Rogers v. Koons*, 960 F.2d 301 (2d Cir. 1992), *cert. denied*, 506 U.S. 934 (1992) (Koons chose Rogers's "Puppies" because the image portrayed was "typical commonplace and familiar"). *Rogers*, 960 F.2d at 305.

⁹⁵ See *supra* notes 68-76 and accompanying text.

⁹⁶ 996 F.2d 1366 (2d Cir. 1993).

⁹⁷ For a discussion on Web publishing by individuals, see *supra* note 5. See also *infra* notes 231-40 and accompanying text.

The Second Circuit found that a book about plaintiff's popular television program "Twin Peaks" infringed the plaintiff's copyright, rejecting defendant's fair use defense. Defendant published a book entitled *Welcome to Twin Peaks: A Complete Guide to Who's Who and What's What* based on the first eight episodes of plaintiff's very successful television program. Defendant's book consisted of seven chapters, dealing with, respectively: (1) the popularity of the show; (2) the characters and the actors who play them; (3) the plots of the eight episodes, some commentary on the plots, and "unanswered questions"; (4) David Lynch, the creator of the show; (5) Mark Frost, the producer of the show, and Snoqualmie, Washington, the location of the show; (6) the music of the show; and (7) trivia questions and quotations constituting the "wit and wisdom of Agent Cooper," one of the characters.⁹⁸

Defendant claimed fair use, stating that the book is a work of comment, criticism, or news reporting.⁹⁹ The Second Circuit upheld the lower court's rejection of the fair use defense because: (1) defendant's detailed report of the plots went far beyond merely identifying their basic outline for the transformative purposes of comment or criticism; (2) what was taken was a work of fiction and the magnitude of public reaction to the televised program did not make the entire content of the teleplays a fact that could be reported and analyzed; (3) defendant lifted a substantial portion of plaintiff's work; and finally (4) even if defendant was correct in arguing that its work provided helpful publicity and thereby tended to confer an economic benefit on the copyright holder, the defendant's book competed in markets in which plaintiff had a legitimate interest.¹⁰⁰

D. Conclusion

There are several conclusions that one can reasonably make from the precedents dealing with appropriative arts. First, courts have not hesitated to find infringement, even when appropriation results in what is arguably a new

⁹⁸ *Twin Peaks*, 996 F.2d at 1370.

⁹⁹ *Id.* at 1374.

¹⁰⁰ *Id.* at 1375-78.

transformative work. Second, it is no defense to claim that one practices a style of art that, by its definition, requires appropriation. Third, courts are less appreciative of the amount of labor and creativity exhibited by an appropriator, while they willingly find creativity and expression in what was appropriated. Fourth, even a small amount of appropriation can be considered an infringement. Fifth, the fair use defense is likely to fail, unless a court categorizes defendant's work as parody.

In summary, the current copyright system discourages artistic activities that are more appropriative in favor of those that are less so,¹⁰¹ and thus forces courts to play the role of an art critic despite Justice Holmes' warning that:

It would be a dangerous undertaking for persons trained only to the law to constitute themselves the final judges of the worth of pictorial illustrations, outside of the narrowest and most obvious limits. At the one extreme, some works of genius would be sure to miss appreciation. Their very novelty would make them repulsive until the public had learned the new language in which their author spoke. It may be more than doubted, for instance, whether the etchings of Goya or the paintings of Manet would have been sure of protection when seen for the first time. At the other end, copyright would be denied to pictures which appealed to a public less educated than the judge. Yet if they command the interest of any public, they have a commercial value,—it would be bold to say they have not an aesthetic and educational value,—and the taste of any public is not to be treated with contempt. It is an ultimate fact for the moment, whatever may be our hopes for a change. That these pictures had their worth and their success is sufficiently shown by the desire to reproduce them without regard to plaintiffs' rights.¹⁰²

One of the main causes underlying the conflict between the copyright system and appropriative art is section 106(2) of the 1976 Act, which is construed to grant broad derivative rights to a copyright owner. The next section briefly traces the history of derivative rights.

¹⁰¹ It is important to keep in mind that all creative activities include some appropriative elements and thus potentially face copyright infringement challenge as derivative work. See *supra* notes 6-19 and accompanying text.

¹⁰² *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251-52 (1903).

II. THE EXPANSION OF DERIVATIVE RIGHTS: HISTORICAL PERSPECTIVE

A. *Early Copyright Law: Prior to the Mid-Nineteenth Century*

Early United States copyright law protected a copyright owner against the production of substantially similar copies in the same medium as one's work.¹⁰³ For example, the exclusive rights granted by the first federal copyright act were limited to the right to print, reprint, publish, or vend maps, charts, and books.¹⁰⁴ Thus, one was free to translate the text of a copyrighted book,¹⁰⁵ make perforated rolls for use in a mechanical piano player to reproduce the sound of a copyrighted musical composition,¹⁰⁶ or make an abridgment.¹⁰⁷ For instance, in *Stowe v. Thomas*, the court held that defendant, who made a German translation of plaintiff's novel, *Uncle Tom's Cabin*, did not infringe plaintiff's copyright in the original. In so holding, the court construed the scope of copyright protection narrowly, limiting it to "the expression of the thoughts; that is to the language in which they are conveyed."¹⁰⁸ The

¹⁰³ For history of Anglo-American copyright system, see BENJAMIN KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT 9-37 (1967) ("In modern copyright terms, early copyright jurisprudence recognized the right of reproduction, but not the right to make derivative works, that is, the right to control other form[s] in which a work may recast, transformed, or adopted"); LAYMAN RAY PATTERSON, COPYRIGHT IN HISTORICAL PERSPECTIVE (1968).

¹⁰⁴ Act of May 31, 1790, c. 15 s. 1, 1 Stat. 124, 1st Cong., 2d Sess.

¹⁰⁵ *Stowe v. Thomas*, 23 F. Cas. 201 (C.C.E.D. Pa. 1853) (No. 13,514) (holding that a German translation of *Uncle Tom's Cabin* did not infringe copyright in the original, which was written in English).

¹⁰⁶ *White-Smith Music Publ'g Co. v. Apollo Co.*, 209 U.S. 1 (1908).

¹⁰⁷ *Story v. Holcombe*, 23 F. Cas. 171 (C.C.D. Ohio, 1847) (No. 13,497) ("A fair abridgment of any book is considered a new work, as to write it requires labor and exercise of judgment"). To be considered fair abridgment, and not a piracy of a copyrighted work, "[t]here must be real substantial condensation of the materials, and intellectual labor and judgment bestowed there on, and not merely the facile use of the scissors, or extracts of the essential parts, constituting the chief value of the original work." *Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4,901) (Story, J.).

¹⁰⁸ *Stowe*, 23 F. Cas. at 205. As a result, the court gave little consideration to the fact that plaintiff used her own resources to have the novel translated in German by another scholar and that the defendant's work harmed the sale of the plaintiff's German version. It stated that "[t]he sale of her translation, indeed, was impaired; but we are not charged with a piracy of it: and the reason why it is injured, is that her translation has less genius than ours." *Id.* at 206.

court stated that a translation was not "a servile and mechanical imitation," and instead required originality and talent.¹⁰⁹ It also found that a translation enhanced the value of the original.¹¹⁰

In summary, early copyright decisions valued the expense, skill, labor, or money that a second comer devoted in creating a new work. Courts inquired into the nature of second authorship and the values that a new work conferred to the society. In Justice Story's words: "He . . . , who by his own skill, judgment and labor, writes a new work, and does not merely copy that of another, is entitled to a copy-right therein; if the variations are not merely formal and shadowy, from existing works."¹¹¹

B. *The Gradual Expansion of Derivative Rights*

Congress gradually expanded the scope of these exclusive rights.¹¹² The 1802 revision to copyright law declared it to be infringement if another person, without authorization, caused a work to be "engraved, etched, copied or sold, in the whole or in the part, by varying, adding to, or diminishing from the main design."¹¹³ The 1856 revision granted dramatic composition a right of public performance.¹¹⁴ In 1870, Congress passed the first copyright statute¹¹⁵ that granted derivative rights¹¹⁶ by providing that "authors may reserve the right to

¹⁰⁹ *Id.* at 205. The court concluded that "[a] translation . . . depends entirely for its success upon its individuality, and for that reason, is original with the translator." *Id.*

¹¹⁰ *Id.* at 206.

¹¹¹ *Emerson v. Davies*, 8 Fed. Cas. 615, 619 (C.C.D. Mass. 1845) (No. 4,436) (finding that defendant's work that copied the same plan, arrangement, gradation of examples and illustrations by unit marks, in the same page, in imitation of the plaintiff's book, infringed plaintiff's copyright despite some differences, which the court discounted as merely colorable in devices to disguise the copy).

¹¹² KAPLAN, *supra* note 103, at 25-37.

¹¹³ Act of April 29, 1802, ch. 35, 7th Cong., 1st Sess., 2 Stat. 171.

¹¹⁴ Act of Aug. 18, 1856, ch. 169, 34th Cong., 1st Sess., 11 Stat. 138.

¹¹⁵ Act of July 8, 1870, ch. 230 § 86, 41st Cong., 2d Sess., 16 Stat. 198.

¹¹⁶ Goldstein, *supra* note 25, at 214.

dramatize or to translate their own works."¹¹⁷ The 1909 Act¹¹⁸ further expanded derivative rights by including the right to:

translate the copyrighted work into other language 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.¹¹⁹

The legislative history of the 1909 Act contains little explanation for the expansion of derivative rights,¹²⁰ except that it merely codified the existing law as construed by the courts.¹²¹

Similarly, courts expanded the scope of copyright by focusing on the protection of commercial values of the original. For example, in *Daly v. Palmer*,¹²² which Professor Goldstein considers to be the first case that effectively granted derivative rights,¹²³ infringement was found based on similarities in "the action, the narrative, the dramatic effect and the impressions, and the series of events in the [parties'] two scenes,"¹²⁴ although the two scenes differed in details and although these scenes comprised only a small portion of the parties' plays.¹²⁵ The court emphasized that the allegedly copied scene was the most commercially valuable part of the plaintiff's play and that similarities between the two scenes comprised those elements

¹¹⁷ Act of July 8, 1870, ch. 230 § 86, 41st Cong., 2d Sess., 16 Stat. 198.

¹¹⁸ Act of March 4, 1909, ch. 320, 60th Cong., 2d Sess., 35 Stat. 1075.

¹¹⁹ Act of March 4, 1909, ch. 320 § 1(b), 60th Cong., 2d Sess., 35 Stat. 1075.

¹²⁰ See 2 PATRY, *supra* note 24, at 821 ("The legislative reports discussion of Section 1(b) is laconic. . .").

¹²¹ "Paragraph (b) in the section contains certain new legislative features, but is consistent with the existing law as construed by the court." H.R. REP. NO. 60-2222, at 4 (1909); S. REP. NO. 60-1108, at 4 (1909).

¹²² *Daly v. Palmer*, 6 F. Cas. 1132 (C.C.S.D.N.Y. 1868) (No. 3,552).

¹²³ Professor Goldstein states that the *Daly* case marks "the first great intellectual leap, auguring copyright's break from the confines of 'copies,' and the eventual statutory expansion of derivative rights." Goldstein, *supra* note 25, at 213.

¹²⁴ Defendant allegedly took plaintiff's "railroad scene" in which one character, tied to a railroad track, is saved by another from an onrushing train. The court accepted that the "railroad scene" was the chief value of the plaintiff's play and its popularity depended upon it. *Daly*, 6 F. Cas. at 1135-36. Defendant's scene differed in terms of characters, dialogues, and a manner of rescue from that of plaintiff's. *Id.*

¹²⁵ *Id.* at 1136.

that most appealed to paying audiences.¹²⁶ As a result, the court concluded that defendant's work functioned as a substitute for plaintiff's play and thus harmed plaintiff's market.¹²⁷

The Second Circuit, in *Dam v. Kirk La Shelle Co.*, found that a play that used the same theme as a copyrighted story infringed upon the right to dramatize the copyrighted story.¹²⁸ The court accepted that the copyrighted story was used as merely a framework and that there were significant differences between the two works.¹²⁹ Despite such significant differences, the court found similarities in many unimportant details, which it concluded could not be considered coincidences. In the end, the court justified the finding of infringement notwithstanding significant creative contributions by defendant, because "[i]t is impossible to make a play out of a story—to represent a narrative by dialogue and action—without making changes, and a playwright who appropriates the theme of another's story cannot, in our opinion, escape the charge of infringement by adding to or slightly varying his incident."¹³⁰

In 1911, the Supreme Court relied on *Dam* to affirm a Second Circuit decision that defendant's motion picture, *Ben Hur*, infringed plaintiff's rights in the novel of the same name.¹³¹ Like in *Dam*, the fact that defendant made significant changes in making the motion picture did not help defendant in the suit.

These cases support Professor Jane Ginsburg's observation that "the appeal of the 'new toil' defense to copyright infringement appears to have diminished by the end of the nineteenth

¹²⁶ *Id.* at 1138.

¹²⁷ *Id.* at 1136-37. The court used the economic effect on the original to distinguish this case from abridgement cases, stating that abridgement did not compete with the original. *Id.* (quoting *D'Almaine v. Boosey, 1 Younge & C. 288*). Lord Chief Baron Lyndhurst stated that "the purpose of abridgment was distinct from that of the work from which it was taken," and appealed to a different audience, i.e., practitioners rather than student. *Id.* at 1136.

¹²⁸ 175 F. 902 (2d Cir. 1910) (holding that defendant's play infringed plaintiff's right to dramatize his story, even though the play borrowed only the story's central incident and contributed events, characters and dialogue of its own).

¹²⁹ *Id.* at 907. The court stated that "[i]t is . . . true that the play has more characters than the story and many additional incidents. It is likewise true that none of the language of the story is used in the play, and that the characters have different names." *Id.*

¹³⁰ *Id.*

¹³¹ *Kalem Co. v. Harper Bros.*, 222 U.S. 55 (1911).

century. . . . [A] second comer's toil in creating a derivative version of a high authorship work, such as a translation or a dramatization, no longer secured exemption from liability."¹³² Instead of examining the extent of a "new toil" by a second comer, the courts began focusing on protecting the copyright owner's commercial interests in the original, which led to the expansive interpretation of the scope of copyright protection.

C. *The 1976 Act and Beyond*

In the 1976 Act, Congress gave a copyright owner not only the exclusive right to reproduce one's work in copies, but also the exclusive right to "prepare derivative works based upon the copyrighted work,"¹³³ and broadly defined a "derivative work."¹³⁴ The fair use doctrine became the only major limitation to a copyright owner's expansive derivative rights.¹³⁵

There is little legislative history on derivative rights.¹³⁶ One commentator attributes such "skimpy legislative history" regarding section 106(2) to the fact that its formulation of derivative rights appeared in the very first revision bill introduced in 1964.¹³⁷ Professor Pamela Samuelson concludes that Congress was "merely restating preexisting law in a more simple and concise way," like it did in 1909.¹³⁸

The copyright industries continue to press for the further expansion of their monopoly power and policy makers have been susceptible to their demands.¹³⁹ They use the threat im-

¹³² Jane C. Ginsburg, *Creation and Commercial Value: Copyright Protection of Works of Information*, 90 COLUM. L. REV. 1865, 1890 (1990).

¹³³ 17 U.S.C. § 106 (1994).

¹³⁴ 17 U.S.C. § 101 (1994). See also *supra* note 26 and accompanying text.

¹³⁵ 17 U.S.C. § 107 (1994).

¹³⁶ PATRY, *supra* note 24, at 821.

¹³⁷ PATRY, *supra* note 24, at 821. See also S. 88-3008, H.R. 11947 at 5(a)(2) (1964).

¹³⁸ Pamela Samuelson, *Allocating Ownership Rights in Computer-Generated Works*, 47 U. PITT. L. REV. 1185, 1214 (1986).

¹³⁹ A proposal to extend copyright term to life plus seventy years is currently pending in the 105th Congress. H.R. 105-604, (1997). See also *Intellectual Property and the National Information Infrastructure: The Report of the Working Group on the Intellectual Property Rights*, (Nov. 15, 1995) <<http://www.uspto.gov/web/offices/com/doc/ipnii/>> [hereinafter NII White Paper] (expanding copyright owner's right in the digital environment, for example by proposing modification of the first-sale doctrine so that copyright owners maintain control of works that are transmitted electronically). Many copyright owners argue that

posed by the new digital technology to push for the stronger copyright protection.¹⁴⁰ The widely publicized 1995 report on intellectual property rights succinctly summarizes a copyright industries' main concern:

The establishment of high-speed, high-capacity information systems makes it possible for one individual, with a few key strokes, to deliver perfect copies of digitized works to scores of others—or to upload a copy on a bulletin board or other service where thousands can download it or print unlimited “hard” copies. Just one authorized uploading could have devastating effects on the market for the work.¹⁴¹

However, it is important to note that threats of the new digital media has not materialized yet. For example, the sale of books, which is supposedly most threaten by the new digital technology; grew by four percent in 1996.¹⁴² Professor Layman Ray Patterson, in his analysis of the Anglo-American system, found that the copyright system had been assuming that strong copyright protection would lead to the production of more works, which would ultimately serve users' interests.¹⁴³ In current

even the NII White Paper did not go far enough in terms of protecting interests of copyright owners. See <<http://venable.com/oracle/guide.htm>> (Mar. 20, 1997) (summarizing industry groups' opinions on the NII White Paper that appeared in *Information Law Alert*). In fact, many industry groups have pushed toward making “browsing” the Web a copyright infringement unless a user pays royalty. *Id.* The Association of American Publishers, the Information Industry Association, and the National Association of Broadcasters take the position that “any use” of copyrighted materials on the Web should not be considered fair use. *Id.*

¹⁴⁰ For example, The Association of American Publishers, which is the principal trade association of the book publishing industry, considers the “safeguarding and strengthening the system of intellectual property rights” in the new digital media as its top priority. <<http://www.publishers.org>> (Mar. 20, 1997). See generally Brian Kahin, *The Strategic Environment for Protecting Multimedia*, in 1 IMA INTELLECTUAL PROPERTY PROJECT PROCEEDINGS (Brian Kahin ed., 1994) (“Owners of rights to music, images, and other forms of content view the emerging network environment as the latest evolutionary stage to threaten the stability and security of the distribution chain.”) [hereinafter 1 IMA PROCEEDING].

¹⁴¹ See NII White Paper, *supra* note 139.

¹⁴² <<http://www.publishers.org/news/releases/sales.html>> (Mar. 20, 1997) (reporting that U.S. book sales exceeded \$20 billion in 1996, which is a 4 percent increase over 1995). See also Jim Milliot, *New Study Puts Global Book Market at \$80 Billion—Euromonitor Report Indicates Worldwide Book Sales Reached \$80.1 Billion in 1995, Representing 8% Increase*, PUBLISHERS WKLY, Oct. 14, 1996, at 10; Kim Campbell, *US Consumers Say “Yes” to Books*, CHRISTIAN SCI. MONITOR, Sep. 5, 1995, at 9. The multimedia industry, on the other hand, lost money in 1996. James Flint, *Connected: Survival of the Fittest Analysis—The Milia 97 Multimedia Conference Was a Lesson in Home Truths*, Daily Telegraph, Feb. 18, 1997, at 12.

¹⁴³ According to Professor Patterson, similar arguments have been used to ex-

debates over the new digital media,¹⁴⁴ Bruce Lehman, Commissioner of Patents and Trademarks, used a similar argument to support further restrictions on users' rights:

[The proposed measure, which protects] people against the theft of their intellectual property, [is] not trying to stop fair use. If you are going to have people making large-scale investments in this new digital environment, they have to have some sense of security that they are going to be protected and make money on it.¹⁴⁵

Is it true that strong copyright protection, in particular broad derivative rights, ultimately serves the interests of individual users? The following section examines various policies used to justify derivative rights.

III. JUSTIFICATIONS FOR DERIVATIVE RIGHTS¹⁴⁶

pand copyright protection since the beginning of the Anglo-American copyright system in the seventeenth century. PATTERSON, *supra* note 103, at 227-28. Professor Patterson calls the rights of the individual user "the forgotten ideas of copyright." PATTERSON, *supra* note 103, at 227-28. See also Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutive Impulse*, 78 VA. L. REV. 146, 156-57 (1992) (citing perception that greater intellectual property protection would enhance national prosperity as a central factor in fueling the increase in the scope of copyright protection over the last two decades).

¹⁴⁴ See *supra* notes 139-41 and accompanying text.

¹⁴⁵ Carol Levin & Don Willmott, *Is it Mine Online? International Panel Irons out Internet Policy*, PC MAGAZINE, Feb. 4, 1997, at 30.

¹⁴⁶ There are many articles that examine justifications for derivative rights: Ginsburg, *supra* note 132, at 1871, 1881-88 (explaining derivative rights based on personality theory); Goldstein, *supra* note 25 (stating that courts' eagerness to protect economic interests of copyright owners drove the expansion of derivative rights); Stewart E. Sterk, *Rhetoric and Reality in Copyright Law*, 94 MICH. L. REV. 1197 (1996) (attributing expansive copyright protection to interest-group politics and self-justification of the lawmaker class, which includes legislators, judges, lawyers, opinion makers, and persons with wealth and political influence); Wendy J. Gordon, *A Property in Self Expression: Equality and Individualism in the Natural Law of Intellectual Property*, 102 YALE L.J. 1533 (1993); L. Ray Patterson, *Free Speech, Copyright, and Fair Use*, 40 VAND. L. REV. 1 (1987); Neil Weinstock Netanel, *Copyright and a Democratic Civil Society*, 106 YALE L.J. 283 (1996); James Boyle, *A Theory of Law and Information: Copyright, Spoils, Blackmail, and Insider Trading*, 80 CALIF. L. REV. 1413 (1992) [hereinafter *Theory of Law and Information*]; PATTERSON, *supra* note 103 (stating that the natural right of the author was a major factor); KAPLAN, *supra* note 103. For analysis of derivative rights based on economic analysis, see William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD. 325, 353-57 (1989); Stephen Breyer, *The Uneasy Case for Copyright*, 84 HARV. L. REV. 281 (1970); Glynn S. Lunney, Jr., *Reexamining Copyright's Incentives-Access Paradigm*, 49 VAND. L. REV. 483, 628-653 (1996).

A. *The Economic Theory*

The economic theory is often used to justify the current copyright system.¹⁴⁷ Expressive works are considered different from tangible products, because they can be reproduced at a much lower cost than the cost of creating them. Without copyright protection, the price of an expressive work would quickly fall to a marginal cost, which would be too low to allow its author to recover the high initial cost of creation. Copyright law, by prohibiting copying of expressive works, not only prevents this harmful copying, but also enables owners to charge monopoly prices. As a result, it encourages the production of expressive works. For copyright law to be economically efficient, it must balance the benefits from creating additional works against losses from limiting access to the work and the costs of administering it.

Some commentators argue that derivative rights allow the copyright system to further economic efficiency.¹⁴⁸ Three arguments are typically given in support of derivative rights. First, by granting profits from derivative markets to a copyright owner, derivative rights increase the incentive to engage in creative activities. Second, derivative rights encourage earlier publication of an original work by making it unnecessary to withhold the publication in order to gain a lead time in derivative markets. Third, derivative rights reduce transactional costs by concentrating the control over derivative works on the copyright owner.¹⁴⁹

¹⁴⁷ See generally Landes & Posner, *supra* note 146, at 448-66.

¹⁴⁸ Landes & Posner, *supra* note 146, at 353-57.

¹⁴⁹ For a critical evaluation of economic efficiency argument for derivative rights, see Sterk, *supra* note 146, at 1216-20 (arguing that economic justifications provided by Landes & Posner are unpersuasive); Lunney, *supra* note 146, at 628-56 (concluding that "to ensure a consonance between price and marginal social value that will lead individuals to devote their talents and resources to the highest-valued use," copyright should prohibit only exact or near-exact duplication and certain non-transformative derivative uses of a copyrighted work).

1. The Incentive Factor

Professor William Landes and Judge Richard Posner argue that derivative rights increase the level of investment in expressive works by enabling its owner to earn returns from all markets, not just the market in which the work first appears.¹⁵⁰ As applied to the movie industry, this argument seems plausible. Arguably, the rising cost of an average movie makes the industry more reliant on revenues from derivative works.¹⁵¹ In fact, the movie industry is increasingly turning to copyright licensing to increase its revenues.¹⁵² It is not uncommon for the total earnings from derivative works to exceed movie ticket sales,¹⁵³ and companies, like the Walt Disney Company ("Disney"), have successfully exploited derivative rights to generate considerable profits.¹⁵⁴

Professor Stewart Sterk argues that derivative rights can be justified only when the projected returns from the original work are too small to justify the cost of production, and when the projected returns from the derivative work are so large relative to the cost of producing the derivative work that the difference would more than make up the projected deficit on the original work alone.¹⁵⁵ According to his argument, derivative rights for many successful works would be unnecessary, for returns from the original work alone would cover the cost of production. For example, Patricia Cornwell, who earns eight

¹⁵⁰ Landes & Posner, *supra* note 146, at 354.

¹⁵¹ The cost of an average Hollywood movie has increased by 148% during the last decade, reaching \$60 million in 1996. Bernard Weinraub, *Average Hollywood Film Now Costs \$60 Million*, N.Y. TIMES, Mar. 5, 1997, at C18.

¹⁵² See *supra* note 1; see also Goldstein, *supra* note 25, at 209 (stating that for many popular motion pictures, the income from sales of derivative merchandises, such as dolls, sheets, posters, etc., often exceed income from movie ticket sales).

¹⁵³ Goldstein, *supra* note 25, at 209.

¹⁵⁴ As early as the 1930s, the Walt Disney Company foresaw the substantial economic gains from licensing the images of its animated motion picture characters in a variety of consumer media, from publication, to soft toys, clothing and household items. INTERNATIONAL BUREAU, WORLD INTELLECTUAL PROPERTY ORG., *Character Merchandising*, WI/INF/93 (1993). "Toy Story" is expected to generate total profits from the box office, videos, computer games and merchandising of nearly \$400 million. Steve Lohr, *Animation: Hollywood's Gold Rush; Pixar's "Toy Story" Provides Profit Motive*, INT'L HERALD TRIB., Feb. 25, 1997, at 11.

¹⁵⁵ Sterk, *supra* note 146, at 1215-16.

million dollars per Scarpetta mystery,¹⁵⁶ obviously does not need income from a movie or television-drama licensing to cover her original cost of production.

However, the use of the initial production cost as a yard stick to determine the appropriate size of incentive seems rather arbitrary, if not wrong. Would Ms. Cornwell write another Scarpetta mystery without additional income from derivative works? Ms. Cornwell may view the extra money that derivative works bring a necessary incentive to force herself to labor instead of living leisurely on huge royalties that her earlier works generate. Similarly, Disney might not have produced as many animation films, had it not been for the enormous returns from derivative works.¹⁵⁷

Yet broad derivative rights have at least four negative economic effects, posing serious doubt over the argument that broad derivative rights increase allocative efficiency. First, it is not clear whether derivative rights are necessary for a copyright owner to earn income from derivative markets. A copyright owner has an advantage of a lead time in derivative markets, for she can simultaneously prepare derivative works as she produces the original. For many works, a derivative work prepared by another does not function as a substitute for a similar work prepared by the original author. Moreover, unfair competition law protects a copyright owner against those who free ride on her reputation.¹⁵⁸ For example, Ms. Cornwell pre-

¹⁵⁶ In 1996, Patricia Cornwell signed a contract worth \$24 million for her three future Dr. Kay Scarpetta mysteries. Deidre Donahue, *Cornwell's \$8 Million Mysteries*, USA TODAY, Mar. 6, 1996, at D1. She earned \$6,000 for her first Scarpetta mystery in 1990. *Id.* Daniel Steel, Tom Clancy and John Grisham are believed to earn more than \$8 million per book. *Id.* For additional examples of a large literary estate, see KERNAN, *supra* note 10, at 109.

¹⁵⁷ See *supra* note 154.

¹⁵⁸ The most well-known misappropriation decision is *International News Serv. v. Associated Press*, 248 U.S. 215 (1928), in which the Supreme Court announced a federal general common law "quasi-property" right in the dissemination of information to prevent defendant from free riding on news reports published by plaintiff. The Supreme Court declared:

[D]efendant . . . admits that it is taking material that has been acquired by complainant as the result of organization and the expenditure of labor, skill, and money, and which is salable by complainant for money, and that defendant in appropriating it and selling it as its own is endeavoring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members is appropriating to itself the harvest of those who have sown.

sumably can sue a movie producer who advertises a mystery movie under the same title as one of her books without her permission. Thus, the elimination of derivative rights does not necessarily reduce income from derivative markets.

Second, derivative rights may actually reduce the production of expressive works because they inhibit creation of appropriative works by raising their production cost. For example, Jeffrey Koons, in order to make a sculpture of a copyrighted image, must incur transactional costs of negotiating copyright licenses in addition to paying licensing fees. Sara Charlesworth, who rephotographs copyrighted photographs, reports paying roughly one-fifth of her net profit in licensing fees alone.¹⁵⁹ For artists who incorporate a large number of copyrighted works in a single work,¹⁶⁰ the total overhead is likely to become too high to proceed with creation. For those who cannot afford to obtain a license, the threat of litigation is likely to scare at least some of them from engaging in appropriative creative activities.¹⁶¹

Third, broad derivative rights encourage rent seeking in a certain segment of creative markets.¹⁶² Some works are more likely to lead to derivative profits than others. For example, a successful animation film targeted toward younger audiences would generate revenues from many sources—videos, books, toys, computer games, music, and television shows. On the other hand, a book on advanced calculus is unlikely to open any derivative markets. As a result, reasonable investors in

Id. at 239-40. This case has come to stand for a general common law property right against misappropriation of commercial value. Douglas G. Baird, *Common Law Intellectual Property and the Legacy of International News Service v. Associated Press*, 50 U. CHI. L. REV. 411 (1983).

¹⁵⁹ Carlin, *supra* note 6, at 137 n.128.

¹⁶⁰ Vanderknyff, *supra* note 91 (stating that it is not uncommon for a single music piece to combine digital samples from as many as 100 sources).

¹⁶¹ For example, the threat of litigation has affected the "Neo-Pop" movement led by a group of artists in New York's East Village. See Carlin, *supra* note 6, at 126-27. A Neo-Pop artist "recycles" cartoon characters to make artistic statements. In certain cases, artists were forced to stop using the cartoon characters. Carlin, *supra* note 6, at 126-27.

¹⁶² By rent seeking, I mean that companies and individuals will invest resources to create copyrightable works to seek economic rent due to derivative rights. See generally William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. LAW & ECON. 265, 267-68 (1987); Kenneth W. Dam, *The Economic Underpinnings of Patent Law*, 23 J. LEGAL STUD. 247, 247-53 (1994).

creative works would direct more money into those works with a larger potential for derivative revenues. Given large media companies' tendency to invest in more conventional works with large audience appeal,¹⁶³ broad derivative rights would lead to further concentration of investment in mainstream expressions, and thus reduce expressive diversities, while encouraging wasteful rent seeking.¹⁶⁴

Fourth, Professor Lunney points out that broad derivative rights encourage overproduction of expressive works at the expense of more socially valuable nonexpressive works.¹⁶⁵ In a competitive market, those who invest in a nonexpressive work can charge a price that is close to a marginal cost. Those who invest in an expressive work, on the other hand, recover full value of their works. This discrepancy in the size of recovery may lead to allocative inefficiency by drawing resources away from socially valuable nonexpressive works to socially less valuable expressive works.

What is most disturbing from a viewpoint of economic efficiency is that derivative rights suppress Post-Modern art and new forms of creative activities using the digital technology. Post-Modern artists appropriate in order to challenge the traditional notion of originality and authorship upon which the value of fine art typically has been judged.¹⁶⁶ Their purpose of appropriation is not parasitic but rather to create a new work, which copyright law is supposed to encourage. Moreover, appropriation is rapidly becoming an integral part of a much wider range of creative activities due to the advancement in digital technology. Consequently, the cost of derivative rights, measured in terms of suppression of the production of new

¹⁶³ Paul DiMaggio, *Market Structure, the Creative Process, and Popular Culture: Toward an Organizational Reinterpretation of Mass-Culture Theory*, 11 J. POPULAR CULTURE 436, 440 (1977) (noting that larger, established media organizations have poorer records than do smaller, independent firms in providing innovative products).

¹⁶⁴ See Diane Crane, *The Production of Culture: Media and the Urban Arts* 55-75 (1992) (canvassing studies that link production of mainstream expression with increased concentration of media ownership).

¹⁶⁵ Lunney, *supra* note 146, at 655.

¹⁶⁶ Carlin, *supra* note 6, at 103-105, 108-111. See generally BENJAMIN, *THE WORK OF ART IN THE AGE OF MECHANICAL REPRODUCTION*, ILLUMINATIONS (1969) (arguing that mass reproduction of art works functioned as a progressive force that provided the means through which the traditional authority and "aura" of fine art was undermined, giving rise to appropriative creative activities).

works based on appropriation, has increased significantly. Admittedly, Congress is free to conclude that these appropriative works are worth less than nonappropriative works and thus copyright law should discourage their creation. However, when Congress decided to grant broad derivative rights in 1976, both appropriative art activities and digital technology were still in their infancy and thus the cost of derivative rights was significantly less.

2. The Delayed Publication Factor

Landes and Posner argue that broad derivative rights reduce the possibility that a copyright owner would delay the publication of the original in order to prevent others from free-riding on it.¹⁶⁷ For example, without derivative rights, anyone can make a drama or movie based on a published novel. Thus, a novelist may delay the publication of her novel until the completion of a drama and movie in order to protect income from the derivative markets.

This argument, even if valid, is applicable only to a relatively small segment of creative works. For most authors, the prospect of earning income from derivative works is so small that it would be unwise to withhold the publication of a work for a remote possibility of licensing it. Furthermore, it seems as persuasive to argue that broad derivative rights delay the production of both original and derivative works. By eliminating competitions in derivative markets, broad derivative rights may encourage a copyright owner to "sit on" her derivative rights. She may also manipulate a timing of the release of derivative works to maximize her profits. The prospect of large profits from derivative works may cause a copyright owner to spend more time and money than necessary in making her original work, delaying the publication of the original. A copyright owner who earns large profits from derivative markets would have little economic pressure to produce a next work, delaying the production of subsequent works.

¹⁶⁷ Landes & Posner, *supra* note 146, at 354-55.

3. The Transactional Cost Factor

Professor Sterk points out that Landes and Posner are incorrect in arguing that granting derivative rights reduces transactional cost by reducing the number of parties with whom a second comer needs to negotiate in creating a derivative work.¹⁶⁸ Landes and Posner state that without derivative rights, a person who wants to translate a novel must negotiate with both the author of the novel as well as a person who made an earlier translation.¹⁶⁹ Their conclusion is mistaken, because without derivative rights, this second comer does not have to negotiate with anyone in order to independently create a translation.

Contrary to Landes and Posner's conclusion, derivative rights increase transactional costs, because derivative rights increase the number of parties with whom an author needs to negotiate. For example, if C wants to make a derivative work based on B's derivative work, which is based on A's original work, and if C wants to use original expressions of both A's and B's, C would probably have to negotiate with both. Without derivative rights, however, C would not have to negotiate with anyone as long as C creates a new work. By increasing the number of parties with whom C must negotiate, derivative rights would also increase the possibility of the holdout problem,¹⁷⁰ further raising transactional costs.

Moreover, the enforcement cost of derivative rights is likely to rise as digital technology permeates our daily lives. Digital technology has made it possible not only for Post-Modern artists but also for anyone with a computer and modem to create a derivative work by manipulating a digital copy of a copyrighted work and publishing it over the Web. The proliferation of derivative works on personal Web pages indicates the

¹⁶⁸ Sterk, *supra* note 146, at 1215-16.

¹⁶⁹ Landes & Posner, *supra* note 146, at 355.

¹⁷⁰ See generally Richard A. Epstein, *Holdouts, Externalities, And The Single Owner: One More Solute To Ronald Coase*, 36 J. LAW & ECON. 553 (1993) (stating that "the central theme of all legal institutions becomes the effort to control transaction costs that impede voluntary exchange").

wide-spread popularity of such creative activities.¹⁷¹ The enforcement of derivative rights in this kind of environment would involve expensive monitoring and litigation.¹⁷²

B. *The Labor-Desert Theory*¹⁷³

The labor-desert theory is based on the premise that each individual has a property interest in her own person and the labor of her own body. Thus, whenever an individual joins her labor with a resource that previously belonged to mankind in common; the individual laborer acquires a private property right in that resource, at least so long as enough, and as good of the resources is left to other potential laborers.¹⁷⁴

The labor-desert theory had a strong influence on early

¹⁷¹ The Software Publisher's Association ("SPA") has been very active in enforcing copyright over the Web. It uses both litigation and lobbying to strengthen protection of copyrights in the Web. SPA's web page at <<http://www.spa.org>> provides useful information on its anti-piracy activities.

¹⁷² In order to enforce derivative rights in the new digital media, the copyright industries have been active in developing a technological solution. For example, the Association of American Publishers views the development of technological means to protect copyright on the Web as its first priority. Carol A. Risher, *Association of American Publishers Addresses Members' Needs for Enabling Technology*, in PROCEEDINGS, ELECTRONIC COMMERCE FOR CONTENT: FORUM ON TECHNOLOGY-BASED INTELLECTUAL PROPERTY MANAGEMENT 61 (Brian Kahin & Kate Arms eds., 1996). See also Branko Gerovac & Richard J. Solomon, *Protect Revenues, Not Bits: Identify Your Intellectual Property*, in 1 IMA PROCEEDING, at 49 (describing a work-in-progress by the television and motion picture community for digital imaging header to protect intellectual property); Sergiu S. Simmel & Ivan Godard, *Metering and Licensing of Resources: Kala's General Purpose Approach*, in 1 IMA PROCEEDING, *supra* note 140, at 81 (describing a system that enables pay-per-user and pay-per-use licensing); Gary N. Griswold, *A Method for Protecting Copyright on Networks*, in 1 IMA PROCEEDING, *supra* note 140, at 169 (describing a system to control access/use of information that has been delivered to customer machines over a wider area network). Cf. Richard Stallman, *The Right to Read*, COMM. OF ACM, Feb. 1997, at 85 (warning against copyright industries' use of technology to restrict the public's right to read).

¹⁷³ See generally Wendy Gordon, *On Owning Information: Intellectual Property and Restitutive Impulse*, 78 VA. L. REV. 149 (1992); Wendy Gordon, *An Inquiry into the Merits of Copyright: The Challenges of Consistency, Consent, and Encouragement Theory*, 41 STAN. L. REV. 1343 (1989); Alfred C. Yen, *Restoring the Natural Law: Copyright as Labor and Possession*, 51 OHIO ST. L.J. 517, 546-47 (1990) (tracing the impact of Lockean philosophy on copyright law).

¹⁷⁴ JOHN LOCKE, *TWO TREATISES OF GOVERNMENT* (Thomas I. Cook ed., 6th ed. 1947) (1764).

copyright decisions.¹⁷⁵ For example, it was used to justify granting copyright in factual works, such as maps.¹⁷⁶ As late as 1954, the Supreme Court in *Mazer v. Stein*, stated that: "Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered."¹⁷⁷

The extent of the influence of the labor-desert theory in the current copyright system is not clear. Professor Jane Ginsburg states that the influence of the labor-desert theory had diminished by the end of the nineteenth century.¹⁷⁸ In 1991, the Supreme Court declared that labor alone did not entitle one to copyright protection and made originality a constitutional requirement of copyright.¹⁷⁹ Furthermore, the size of reward under the current copyright system has little to do with the amount of labor used. For example, Patricia Cornwell signed a contract last year under which she earns eight million dollars per Scarpetta mystery, which is over 1,000 times more than what she earned for her first Scarpetta mystery. It is very doubtful that Ms. Cornwell plans to put in proportionately more labor on her eight million dollar mystery. Likewise, the amount of labor cannot explain why a popular writer like Ms. Cornwell deserves so much more money compared to those writers whose works have less popular appeal.¹⁸⁰

The vitality of the labor-desert theory under the current copyright system is of little relevance as far as derivative rights are concerned, for it alone cannot justify derivative

¹⁷⁵ See, e.g., Ginsburg, *supra* note 132, at 1875-76 (quoting comments by George Tcknor Curtis and Eaton S. Drone, supporting labor as justification for copyright grant).

¹⁷⁶ Justice Story wrote: "A man has a right to the copy-right of a map of a state or country, which he has surveyed or caused to be compiled from existing materials, at his own expense, or skill, or labor, or money." *Emerson v. Davies*, 8 F. Cas. 615, 619 (C.C.D. Mass. 1845) (No. 4,436).

¹⁷⁷ 347 U.S. 201, 219 (1954).

¹⁷⁸ Ginsburg, *supra* note 132, at 1890.

¹⁷⁹ *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991). Note that in late eighteenth and early nineteenth centuries, originality was equated with industriousness. For example, Eaton S. Drone stated that: "[T]he true test of originality is whether the production is the result of independent labor or of copying." Ginsburg, *supra* note 132, at 1876 (quoting EATON S. DRONE, A TREATISE ON THE LAW OF PROPERTY IN INTELLECTUAL PRODUCTIONS IN GREAT BRITAIN AND THE UNITED STATES 209 (1879)).

¹⁸⁰ Another good example is the amount of wealth that Microsoft's operating system has generated. This amount probably has a closer connection to IBM's decision to use Microsoft's operating system than the amount of labor expended.

rights. First, it does not specify how much a copyright owner can claim based on her labor. Second, it does not explain why the copyright owner should receive benefits from the labor of a second comer who adds to what the copyright owner created.

The labor-desert theory does not tell us how far derivative rights should extend. If I cultivate an unoccupied field to grow corn, there is little doubt under the labor-desert theory that I deserve to claim a property right over whatever I harvest from the field. Suppose that I also made a trail from my house in a village to my field. Assuming that I made this trail with a plan of expanding my corn field in mind, does my building of this trail give me a property right over the uncultivated land that is adjacent to the trail? Or can a second comer claim a property right over the uncultivated land as long as she cultivates it before I do without using my trail? If I do deserve the adjacent uncultivated land, how far from the trail does my property right extend?

Moreover, the labor-desert theory does not give a guidance on how to resolve conflicting property claims. The current copyright law favors labor of the copyright owner over that of an appropriator.¹⁸¹ Under the expansive definition of derivative rights given in section 101 of the 1976 Act, the copyright owner would have a claim over the appropriator's labor even when the appropriator uses the copyrighted work as merely an inspiration. The labor-desert theory fails to explain why it is just to grant the copyright owner a property right over something that she herself did not labor upon.

¹⁸¹ However, during the nineteenth century, "new toil and talent" exerted by the second comer gave her "new property rights," even when she expends her labor on a predecessor's efforts. See *Webb v. Powers*, 29 F. Cas. 511, 517 (C.C.D. Mass. 1847) (No. 17, 323) (inquiring whether the second comer's appropriations from the first author were "characterized by enough [that is] new or improved, to indicate new toil and talent, and new property and rights in the last compiler").

C. *The Personality Theory*¹⁸²

The premise underlying the personality theory is that to achieve proper self-development an individual needs some control over resources in the external environment.¹⁸³ Derivative rights encourage self-development by enabling an author to control the use of her work, upon which an author is deemed to have projected her personality.¹⁸⁴

Initially, the personality theory had little influence in the Anglo-American copyright system. In England, copyright began as a publisher's right, with little concern for the author. According to Professor Patterson, the notion of an author's right first surfaced when drafting the Statute of Anne in 1709, some 150 years after the initial copyright law.¹⁸⁵ Even then, the motive was to use such appeals to protect an author's personhood so as to advance publishers' economic interests.¹⁸⁶ In fact, the early Anglo-American copyright law only focused on preventing piracy, and thus did little to protect an author's personality interests against exploitative uses.¹⁸⁷

Courts started to recognize the connection between an author's work and her personhood by the late nineteenth century. In a 1903 Supreme Court decision, Justice Holmes articulated the connection as follows:

The copy is the personal reaction of an individual upon nature. Personality always contains something unique. It expresses its singularity even in handwriting, and a very modest grade of art has in it

¹⁸² See generally Margaret Jane Radin, *Property and Personhood*, 34 STAN. L. REV. 957 (1982); Carl H. Settlemeyer III, *Between Thought and Possession: Artists' "Moral Rights" and Public Access to Creative Works*, 81 GEO. L.J. 2291 (1993); Jane G. Ginsburg, *A Tale of Two Copyrights: Literary Property in Revolutionary France and America*, 64 TUL. L. REV. 991 (1990); Martin A. Roeder, *The Doctrine of Moral Right: A Study in the Law of Artists, Authors, and Creators*, 53 HARV. L. REV. 554 (1940); Samuel Warren & Louis Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193, 207 (1890) (stating that copyright and privacy should both be seen "as a part of the more general right to the immunity of the person—the right to one's personality").

¹⁸³ Radin, *supra* note 182, at 957; Roeder, *supra* note 182, at 556-57.

¹⁸⁴ Radin, *supra* note 182.

¹⁸⁵ PATTERSON, *supra* note 103, at 14.

¹⁸⁶ PATTERSON, *supra* note 103, at 14. Publishers also appealed to author's rights to advance their interests in the courts. See, e.g., *Millar v. Taylor*, 98 Eng. Rep. 201 (K.B. 1769).

¹⁸⁷ See *supra* note 185 and accompanying text.

something irreducible, which is one man's alone. That something he may copyright unless there is a restriction in the words of the act.¹⁸⁸

According to Professor Ginsburg, courts became more willing to protect personhood of an author by granting derivative rights as they began viewing expressive works in an idealized manner.¹⁸⁹ The Supreme Court first detached a work from a medium of expression, announcing that "the word 'book', as used in the statute, is not to be understood in the technical sense of a bound volume, but any species of publication which the author selects to embody his literary product."¹⁹⁰ Next, it went on to detach a work from a particular form of expression of the author's elaborated ideas.¹⁹¹ Once an expressive work became idealized by detaching it from both a medium and a particular form of expression, the courts became free to extend the bounds of an author's control over her work beyond a verbatim copying in the same medium to protect the author's personality interests in her work.¹⁹²

Yet the personality theory fails to justify broad derivative rights in two significant ways. Derivative rights are granted even to works with little personality interest. In addition, the theory does not explain why the law should favor personality interests of the copyright owner over those of an appropriator, even when the appropriator projects considerably more personality interests than the copyright owner.

If personality interests are what derivative rights aim to protect, derivative rights under the current copyright system are too broad in that they are granted to works with virtually

¹⁸⁸ *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 250 (1903) (rejecting defendant's challenge to the copyrightability of commercial art for its lack of aesthetic merit).

¹⁸⁹ Ginsburg, *supra* note 132, at 1886-88.

¹⁹⁰ *Holmes v. Hurst*, 174 U.S. 82 (1899).

¹⁹¹ *Kalem Co. v. Harper Bros.*, 222 U.S. 55 (1911) (holding that a film based on the novel *Ben Hur* infringed author's right to dramatize).

¹⁹² Professor Ginsburg elaborates this point as follows:

[The] deincorporealization conception—well understood in modern copyright law—ultimately affected the scope of protection. If the author's "product" would no longer be confined to any particular print manifestation of the work, and instead would be perceived as capable of inhabiting any of many forms, it followed that the copyright can cover any and all of the varying habitats. . . .

Ginsburg, *supra* note 132, at 1887.

no personality interests. The current copyright system grants derivative rights to all copyrighted works under section 106(2). Hence, a work made for hire¹⁹³ presumably enjoys derivative rights in the same manner as a work made and owned by an artist herself. However, the degree of personality interest in these works clearly differs. It is questionable whether an employer, which often is a corporate entity, has any personality interest in the work made for hire. In this sense, derivative rights belong to a wrong party, the employer, instead of the artist who actually made the work and who presumably expressed her personality in the work.¹⁹⁴ Admittedly, the courts do make some adjustment in terms of the extent of derivative rights depending the types of work.¹⁹⁵ Similarly, Congress, when expanding the protection of personhood interests by passing the Visual Artists Rights Act ("VARA") in 1990,¹⁹⁶ distinguished among works of visual art by denying protection to some works of visual art such as works made for hire or mass produced works.¹⁹⁷ If personality interests are what jus-

¹⁹³ Section 101 of the 1976 Act provides that a work is "for hire" under two sets of circumstances:

(1) a work prepared by an employee within the scope of his or her employment; or

(2) a work specifically ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

17 U.S.C. § 101 (1994). See also *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989) (holding that "employee" and "within the scope of his or her employment" in the 1976 Act definition of work made for hire refers to "a hired party in a conventional employment relationship" as determined by general agency law).

¹⁹⁴ The Visual Artist Right Act of 1990, 17 U.S.C. § 106A (1994), which aims to protect moral rights by granting rights of attribution and integrity to an author, limits its coverage to "work of visual art" as defined in section 101. 17 U.S.C. § 101 (1994). In particular, it excludes works made for hire. See *infra* note 197.

¹⁹⁵ Works that are primarily expressive, such as fictional novels or plays receive broad copyright protection. See *Atari, Inc. v. North Am. Philips Consumer Elect. Corp.*, 672 F.2d 607, 617 (7th Cir. 1982). Utilitarian works, on the other hand, receive narrow protection. See, e.g., *Feist*, 499 U.S. at 349 ("the copyright in a factual compilation is thin."). Utilitarian works include works of fact such as telephone directories, legal forms, and game rules.

¹⁹⁶ 17 U.S.C. § 106A (1994).

¹⁹⁷ The VARA grants rights of attribution and integrity to the author of a "work of visual art." *Id.* A "work of visual art" is defined as:

tify derivative rights, such rights should not be granted indiscriminately to all works. Instead they should be given to only those types of works with significant personality interests.

Finally, the personality theory alone does not explain why copyright law should prefer personality interests of the copyright owner over that of an appropriator. After all, an appropriator adds aspects of her personality to a derivative work. Justice Holmes told us that personality exists even in "handwriting" and "a very modest grade of art."¹⁸³ Then, why does copyright law provide expansive protection of personality interests to the copyright owner, while ignoring personality interests of an appropriator? One explanation for this preference is that the copyright owner generally expresses "more" personhood than the appropriator. However, there are cases where appropriator's personhood interests in a derivative work far outweigh those of the copyright owner. For example, when an appropriator greatly transforms the original to the point that the original is barely recognizable in a new work, it is not clear why this appropriation causes harm to the copyright owner's personality interests in the first place. Moreover, if the appropriator invests a considerable amount of personality

(1) a painting, drawing, print, or sculpture, existing in a single copy, in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author, or, in the case of a sculpture, in multiple cast, carved, or fabricated sculptures of 200 or fewer that are consecutively numbered by the author and bear the signature or other identifying mark of the author; or

(2) a still photographic image produced for exhibition purposes only, existing in a single copy that is signed by the author, or in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author.

17 U.S.C. § 101 (1994). It excludes the followings from a "work of visual art":

(A) (i) any poster, map, globe, chart, technical drawing, diagram, model, applied art, motion picture or other audio-visual work, book, magazine, newspaper, periodical, data base, electronic information service, electronic publication, or similar publication;

(ii) any merchandising item or advertising, promotional, descriptive, covering, or packaging material or container;

(B) any work made for hire; or

(C) any work not subject to copyright protection under this title.

Id.

¹⁸³ *Bleinstein v. Donaldson Lithographing Co.*, 188 U.S. 239, 250 (1903) ("Personality contains something unique. It expresses its singularity even in handwriting, and a very modest grade of art has in it something irreducible, which is one man's alone.").

interests in a new work, why does the law deny protection of personality interests of the appropriator against the exploitation by the others, including the first author?

D. *The Romantic Authorship Theory*¹⁹⁹

A Romantic author is someone who creates a work that is utterly new and original by using her creative genius. In the eighteenth century, the notion of a Romantic author came to play an important role in resolving a question of property rights in intellectual works:

Eighteenth-century theorists departed from this compound model of writing in two significant ways. They minimized the element of craftsmanship (in some instances they simply discarded it) in favor of the element of inspiration, and they internalized the source of that inspiration. That is, inspiration came to be regarded as emanating not from outside or above, but from within the writer himself. "Inspiration" came to be explicated in terms of original genius, with the consequence that the inspired work was made peculiarly and distinctively that product-and the property-of the writer.²⁰⁰

The Romantic authorship theory continues to play an important role in copyright law,²⁰¹ and courts have relied on

¹⁹⁹ Michel Foucault, *What is an Author?*, in *TEXTUAL STRATEGIES: PERSPECTIVES IN POST-STRUCTURALIST CRITICISM* 141 (Josue V. Harari ed., 1979); Boyle, *supra* note 13, at 1463-66; Peter A. Jaszi, *Toward a Theory of Copyright: The Metamorphoses of "Authorship"*, 1991 DUKE L.J. 455 ; See Martha Woodman, *On the Author Effect: Recovering Collectivity*, 10 CARDOZO ARTS & ENT. L.J. 279 (1992); Keith Aoki, *Authors, Inventors and Trademark Owners: Private Intellectual Property and the Public Domain Part I*, 18 COLUM.-VLA J.L. & ARTS 1 (1993); For the linkage between Romantic authorship and intellectual property in England, see Mark Rose, *The Author as Proprietor: Donaldson v. Becket and the Genealogy of Modern Authorship*, 23 REPRESENTATIONS 51 (1988). The notion of Romantic authorship has strongly influenced the development of intellectual property law in Continental Europe. See Martha Woodmansee, *The Genius and the Copyright: Economic and Legal Conditions of the Emergence of the "Author"*, 17 EIGHTEENTH-CENTURY STUD. 425 (1984) (Germany); Carla Hesse, *Enlightenment Epistemology and the Laws of Authorship in Revolutionary France, 1777-1793*, 30 REPRESENTATIONS 109 (1990) (France).

²⁰⁰ Woodmansee, *supra* note 199, at 427.

²⁰¹ See Aoki, *supra* note 199 (finding that the courts have repeatedly "reaffirmed the traditional model of clearly individual, transformative and original authorship" over serial, collective or collaborative authorship). But see Marci A. Hamilton, *Appropriation Art and the Imminent Decline in Authorial Control Over Copyrighted Work*, 42 J. CORP. SOC'Y 93 (1994) (stating that the importance of authorship in copyright system has been exaggerated); Robert H. Rotstein, *Beyond Metaphor:*

it to justify the granting of copyrights.²⁰² Similarly, the courts have used the Romantic authorship theory to condemn an appropriator, whom the courts view as a thief who stole someone else's work rather than making her own.²⁰³

When one combines the Romantic authorship theory with either labor or personality theory, derivative rights arguably make sense, because the Romantic authorship theory provides justification for preferring a copyright owner over an appropriator,²⁰⁴ and because derivative rights can be considered necessary to encourage Romantic authorship, which courts view as a more socially desirable form of authorship.²⁰⁵

The Romantic authorship theory provides justification for "breaking a tie" between a copyright owner and an appropriator when they have conflicting property right interests over a derivative work. In the preceding sections, it was argued that neither the labor nor personality theory alone justifies preference of labor or personhood of the copyright owner over that of the appropriator.²⁰⁶ If one accepts the view that the copyright owner is more of a Romantic author than the appropriator and that Romantic authorship is what copyright law should encourage, then it makes sense to prefer the interests of the copyright owner over those of the appropriator. In fact, derivative rights can be seen as actively promoting Romantic authorship by reducing the size of the reward to the appropriator by requiring her to pay licensing fees to the copyright owner, which in turn increases the reward to the copyright owner.

Copyright Infringement and the Fiction of the Work, 68 CHI.-KENT L. REV. 725 (1993) (arguing that copyright law has "banished the author" as a "central animating concept").

²⁰² See, e.g., *Bleinstein*, 188 U.S. at 250.

²⁰³ See, e.g., *Rogers v. Koons*, 960 F.2d 301, 303 (2d Cir. 1992); *Grand Upright Music Ltd. v. Warner Bros. Records*, 780 F. Supp. 182, 182 (S.D.N.Y. 1991).

²⁰⁴ Jaszi, *supra* note 199, at 302 ("[T]he law often proves ungenerous to non-individualists cultural productions, like folkloric works, which cannot be reimagined as products of solitary, original authorship on the part of one or more discrete and identifiable authors. . . . Such works are marginalized or become literally invisible within the prevailing ideological frameworks of discourse in copyright. . . ."). Aoki, *supra* note 199, at 34 (concluding that "a particular vision of originality, informed by the solitary, romantic author image, provides the courts with an inviting rationale for granting or refusing special property rights")

²⁰⁵ See Aoki, *supra* note 199, at 3, 31-69.

²⁰⁶ See *supra* Part III.B and III.C.

However, if one accepts a view that every work is derivative to some extent,²⁰⁷ then copyright law that automatically prefers a copyright owner over an appropriator by labeling the former a Romantic author and the latter a plagiarist does not necessarily reward a 'truly' Romantic author. As articulated by Justice Story, the reality of creative activity necessitates some reliance on earlier works:

Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before. No man creates a new language for himself, at least if he be a wise man, in writing a book. . . . If no book could be subject of copy-right which was not new and original in the elements of which it is composed, there could be no ground for any copy-right in modern times, and we should be obliged to ascend very high, even in antiquity, to find a work entitled to such eminence. Virgil borrowed much from Homer; Bacon drew from earlier as well as contemporary minds; Coke exhausted all the known learning of his profession; and even Shakespeare and Milton, so justly and proudly our boast as the brightest originals would be found to have gathered much from the abundant stores of current knowledge and classical studies in their days.²⁰⁸

Moreover, derivative works do exhibit a considerable amount of originality and creative genius to qualify as a work of a Romantic author. There is little doubt that both T.S. Eliot and William Shakespeare are literary geniuses, despite that fact that many of their works are "derived" from works of others.²⁰⁹ Similarly, critically acclaimed Post-Modern artists create "original" works by openly appropriating copyrighted images. In contrast, some copyrighted works show little creative originality.²¹⁰

In fact, derivative rights, when used in a copyright infringement context, set a high standard of originality—that is the lack of substantial similarity—for defendant's work while presuming Romantic authorship in plaintiff's work. This discrepancy in the originality standard seems unjustifiable, for it has an "unintended" effect of discouraging the creations of

²⁰⁷ See *supra* notes 6-21 and accompanying text.

²⁰⁸ *Emerson v. Davies*, 8 F. Cas. 615, 619 (C.C.D. Mass. 1845) (No. 4,436).

²⁰⁹ See *supra* note 14.

²¹⁰ See, e.g. *Bleinstein*, 188 U.S. at 250; *Feist*, 499 U.S. at 345 ("the requisite level of creativity is extremely low").

some original works of authorship by labeling them as derivative even when the copied work itself shows little originality. Consequently, the current copyright law that blindly favors the copyright owner over the appropriator without inquiring into the degree of originality exhibited by each author cannot be justified under the Romantic authorship theory.

E. *The Democratic Theory*²¹¹

Professor Netanel's recent article examines how the copyright system enhances the independent, democratic character of society.²¹² Copyright law, which the Supreme Court has called "the engine of free expression,"²¹³ is said to encourage free expression by providing incentive to a sector composed of individuals and publishers to produce and distribute creative works. It fosters the exchange of more diverse viewpoints by funding this sector through supports from the public rather than the state or the elite, underwriting a robust civil democratic society.²¹⁴

In Part III.A., I illustrated how derivative rights, which grant copyright owners exclusive controls over almost all possible uses of their works, can cause the underproduction of derivative works. This underproduction problem is especially acute for those derivative works that use copyrighted works in a way "undesirable" to their owners. The following two cases illuminate the threat that broad derivative rights pose to a civil democratic society by inhibiting the publication of diverse view points.

²¹¹ See Netanel, *supra* note 146; Boyle, *Theory of Law and Information*, *supra* note 146. See also Brock N. Meeks, *Better Democracy Through Technology*, COMMUNICATIONS OF THE ACM, Feb. 1997, at 75; Chon, *supra* note 3 (advocating restructuring of intellectual property law to serve public interests in access to knowledge in order to allow the public to retain and exercise cultural and political control in an environment of an increasingly private concentration of information).

²¹² Netanel, *supra* note 146, at 347-62 (arguing that copyright's primary goal is not allocative efficiency, but the support of a democratic culture).

²¹³ *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 558 (1985) ("it should not be forgotten that the Framers intended copyright itself to be the engine of free expression").

²¹⁴ See generally Netanel, *supra* note 146.

In *Salinger v. Random House, Inc.*,²¹⁵ the Second Circuit allowed J. D. Salinger to block the publication of a biography of himself, written by Ian Hamilton. The court found that the use of excerpts from Salinger's unpublished letters as well as paraphrases of the contents from those letters were not fair use and thus infringed Salinger's copyright, despite the fact that Hamilton paraphrased all but 200 or so words.²¹⁶ In another case,²¹⁷ which also involved an unauthorized biography, this time of L. Ron Hubbard, the founder of the Church of Scientology, the Second Circuit held that but for the fact that laches barred the copyright owner's claim, an injunction was justified. In this case, the defendant argued that he used Hubbard's copyrighted works to demonstrate Hubbard's character.²¹⁸

The use of derivative rights to censor free expression is disturbing especially in the era of increasingly high concentration of the media industry.²¹⁹ For example, the copyright owner of Barney, a character in a popular PBS television show for young children, can prohibit any derivative uses by either refusing to license it or by charging prohibitively high licensing fees. An artist who wants to publish an image of Barney that terrorizes little children risks copyright infringement unless a court classifies her use as a fair use. For most individuals, a mere threat of litigation is enough to discontinue the publication.²²⁰

²¹⁵ *Salinger v. Random House, Inc.*, 811 F.2d 90 (2d Cir. 1987).

²¹⁶ See David Margolic, *Whose Words Are They, Anyway?*, N.Y. TIMES, Nov. 1, 1987, at s. 7, p. 1. The biography was eventually published in 1988 by Random House. According to Kernan, the published biography "was much shorter than its original length and the tone was one of considerable exasperation toward Salinger". KERNAN, *supra* note 10, at 93.

²¹⁷ *New Era Publications Int'l, ApS v. Henry Holt & Co.*, 873 F.2d 576 (2d Cir. 1989).

²¹⁸ *New Era Publications Int'l, ApS v. Henry Holt and Co., Inc.*, 695 F. Supp. 1493, 1502 (S.D.N.Y. 1988).

²¹⁹ The top ten telecommunication players—Disney, Time Warner, Viacom, Murdoch's News Corporation, Sony, TCI, Seagram (which owns MCA), Westinghouse/CBS, Gannett, and GE (NBCOs corporate parent)—alone control more than \$8 billion in media industry. Jonathan Tasini, *The Tele-Barons: Media Moguls Rewrite the Law and Rewire the Country*, WASH. POST, Feb. 4, 1996, at C1.

²²⁰ In the early eighties, artists in New York's East Village began the trend of using cartoon characters to make artistic statements. Carlin, *supra* note 6, at 126. Many of those who achieved some acclaim faced the threat of copyright infringement litigation by the companies that owned the cartoon imagery. Carlin, *supra*

Professor Netanel, who considers the primary role of copyright law to be "the engine for free expression," advocates some restrictions on broad derivative rights.²²¹ In particular, he advocates limiting copyright owner's control over transformative uses that would enhance expressive pluralism and diversity in the society. Even among transformative uses, he would not allow uses that would endanger incentives for creation or that would lead to an underproduction of costly derivative works due to what he calls a multiple-taker problem.²²²

While I am in substantial agreement with Professor Netanel's view that expansive derivative rights endanger expressive diversity, I would exclude from derivative rights more transformative works than Professor Netanel proposes. Clearly, some transformative works cause more economic damages to a copyrighted work than others. For example, a Spanish translation of an English novel would eliminate profit potential from a large segment of a global market and thus reduce incentives without adding much to expressive diversity. As a result, copyright law should give a copyright owner exclusive rights to prevent the production of derivative works, including a translation, that would severely diminish economic prospects of the copyrighted work. On the other hand, I disagree with Professor Netanel's contention that the ability to prevent multiple production of costly derivative works is necessary to prevent the underproduction. Without any economic data, it seems as reasonable to argue that denying copyright protection over transformative works would encourage early production of a costly derivative work because it acts as an incentive to be the first one to create it in order to reap more profits. In addition, it also encourages expressive diversity in derivative works because makers of derivative works would attempt to avoid direct competition by producing works that would appeal to

note 6, at 126-27. For example, Kenny Scharf, who used images from the Jetsons, was forced to stop using characters. Carlin, *supra* note 6, at 127.

²²¹ Netanel, *supra* at note 146, at 347-52.

²²² Netanel, *supra* at note 146, at 376-82. Professor Netanel defines a multiple taker problem as follows: "[a] multiple taker problem exists when an owner who lacks the right to exclude will not pay a prospective taker to prevent a taking because the owner would subsequently have to pay another prospective taker not to take, and then another and another." Netanel, *supra* at note 146, at 379 n.425 (citation omitted).

different segments of the population. Thus, I would not consider the cost of creating a derivative work in deciding whether such a work should be included within derivative rights.

F. *Public Expectations*

The rise of appropriative creative activities signals a growing popular consensus regarding the fairness of such conduct.²²³ However, copyright law continues to disfavor appropriative activities considering them copyright infringement. As the number of copyright infringement cases grows, the public is likely to become more dissatisfied with law that is contrary to the reality of the creative process and that constrains their expressive freedom. Thus, more people will start questioning the legitimacy of the copyright system.²²⁴

Moreover, Professor William Fisher points out that a law that is inconsistent with the popular view leads to allocative inefficiency, for it would shake our confidence in our ability to guess legal rules and thus force us to either learn legal rules before commencing a creative activity or decide against engaging in the activity at all.²²⁵ Unlike rules on highway speed limits, copyright law is much harder to learn. Even if one manages to decipher the black letter law of copyright, applying it to a particular case requires the understanding of a number of judicially created rules, which are often in conflict. As a result, many of us are likely to refrain from expressive and creative activities that involve appropriations to minimize copyright infringement liabilities, resulting in the underproduction of creative works. Likewise, new tools for appropriative creative

²²³ See David Sterritt, *Pop Culture's Patchwork of Sound and Image Drives "Sonic Outlaw"*, CHRISTIAN SCI. MONITOR, March 4, 1996, at 15; Jon Pareles, *In Pops, Whose Song Is It, Anyway?*, N.Y. TIMES, Aug. 27, 1989, at s. 2, p. 1; Geraldine Norman, *What's New Pusenkoff?; "Appropriation"—the Borrowing of Images of Other Artists—Is a Key Feature of Late 20th Century Art. But George Pusenkoff, a Russian Painter, Has Been Taken to Court for Using One of Helmut Newton's Photographic Nudes*, INDEP., July, 30, 1995, at 62.

²²⁴ Edwin C. Hettinger, *Justifying Intellectual Property*, 18 PHIL. & PUB. AFF. 31 (1989). See, e.g., Peter H. Lewis, *As Piracy Grows, the Software Industry Counterattacks*, N.Y. TIMES, Nov. 8, 1992, at s.3, p.12.

²²⁵ William W. Fisher III, *Reconstructing the Fair Use Doctrine*, 101 HARV. L. REV. 1659, 1732-33 (1988).

activities, such as personal computers, scanners, and the Internet, will inevitably become underutilized, increasing economic waste.

Recently, courts have faced similar conflicts between copyright law and the popular consensus caused by the technological developments, and have used the fair use doctrine to conform copyright law to the popular consensus.²²⁵ The Supreme Court held that private viewers' videotaping of broadcasts of copyrighted audio-visual works for time shifting purposes constituted fair use,²²⁷ respecting a popular consensus over the appropriateness of video recording.²²⁸ In like fashion, reverse engineering of computer programs to understand a competitor's product is accepted as a fair use.²²⁹ Like home videotaping of broadcasts, reverse engineering was considered a necessary and essential engineering practice within the computer software and hardware communities long before courts endorsed its appropriateness.²³⁰

²²⁵ See, e.g., *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984); *Atari Games Corp. v. Nintendo of Am., Inc.*, 975 F.2d 832 (Fed. Cir. 1992); *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992).

²²⁷ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

²²⁸ Fisher, *supra* note 225, at 1732 n.309.

²²⁹ *Atari Games Corp. v. Nintendo of Am., Inc.*, 975 F.2d 832 (Fed. Cir. 1992) (recognizing that limited reverse engineering to discern the unprotectable ideas in a computer program was a fair use); *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992) (stating that when the disassembly of copyrighted object code is the only means of gaining access to unprotected elements of a computer program, such disassembly may be a fair use).

²³⁰ Even before the courts found reverse engineering to be fair use, computer software and hardware industries have used it in an organizational context for a variety of reasons from obtaining the information needed for rational system modification, to detecting the defects, and to recovering components for potential later use. See, e.g., *Reverse Engineering: Progress Along Many Dimensions*, Communications of the ACM, May 1994, at 22. In fact, many consider reverse engineering to be "one of the most important parts of software engineering, rather than being a peripheral concern." *Id.* at 23. Since 1993, ACM and IEEE Computer Society, two of the largest professional societies for computer software and hardware engineering, held a Working Conference on Reverse Engineering in order to bring reverse engineering out of a closed organizational context to facilitate exchange of information among academic and industrial researchers in this area. *Id.* at 23. The May 1994 Issue of *Communications of the ACM* presents several articles summarizing the progress that has been made in reverse engineering, including many tools to automate the reverse engineering process.

Several recent disputes between an individual Web publisher and a copyright owner underscore a growing tension between the public expectation and copyright law.²³¹ There are numerous "fan sites" about musicians, movie stars, cartoon characters, and television shows on the Web. Because they often appropriate copyrighted works, such sites have come under legal attacks by copyright owners despite their non-commercial nature. For instance, Fox Broadcasting ("Fox") has sent out approximately thirty letters warning private Web publishers against the appropriation of copyrighted materials used in their popular television shows like "The X-Files," "The Simpsons," and "Millennium."²³² When Fox forced Gil Trevizo, a college student, to take down his "Millennium" Web site,²³³ it drew strong public criticism.²³⁴ Fans of Fox's other popular show, "The X-Files" organized a group to fight for the survival of Web sites on "The X-Files."²³⁵ Not surprisingly, there are numerous Web sites devoted to "Star Trek," among which only one site is authorized by its copyright owner, Viacom.²³⁶ Since Viacom sent a warning to one of the unau-

²³¹ The following two Internet sites keep track of disputes between a private Web publisher and a copyright owner: <<http://www.muchmusic.com/muchmusic/cyberfax/trademark.html>> (maintained by an individual); <<http://www.eff.org>> (maintained by the Electronic Frontier Foundation, go to their "What's Hot in IntProp").

²³² Laurent Belsie, *Web War: Hollywood Tangles with Fans On-Line Sites*, CHRISTIAN SCI. MONITOR, Dec. 17, 1996, at Features. See also Amy Harmon, *Web Wars: Companies Get Tough on Rogues; Studios and Fortune 500 Firms Target Unauthorized Internet Sites That Feature Their Products. Crackdown Affects Fans as Well as Foes*, L.A. TIMES, Nov. 12, 1996, A1; Edward A. Mazza II, *Copyright Holders Wage War On Net*, DAILY YOMIURI, Jan. 21, 1997, at 9.

²³³ Fox's attorney stated that Trevizo's site competed with Fox's "Millennium" site, on which Fox spent more than \$100,000. Harmon, *supra* note 232.

²³⁴ Harmon, *supra* note 232. One user described the problem as follows:

It is becoming clear that this is not just a matter of either copyright or trademark . . . but that Fox execs want complete and total control over how every facet of their company is portrayed on the Internet. . . . They have thus far shown themselves unwilling to compromise. . . . If there will be no peaceful compromise, we are willing to fight.

Harmon, *supra* note 232.

²³⁵ Harmon, *supra* note 232. The group is called "XFACTOR-X-Files for Abolishing Censorship Threatening Our Rights" and it has a slogan "Free Speech Is Out There." Harmon, *supra* note 232.

²³⁶ Mitch Gitman, *Trek Tech; CD-ROMS and a Huge Presence in Cyberspace Open Ups Worlds Where No Fan Has Gone Before*, PITTSBURGH POST-GAZETTE, Aug. 31, 1995, at C1.

thorized Web sites, <http://www.loskene.com>, in December, 1996, there have been numerous calls to fight against Viacom's action.²³⁷ Copyrighted works of Disney have also been "exploited" by over 6,000 Web pages and numerous on-line discussion groups,²³⁸ with some of them providing free adult entertainment using Disney characters.²³⁹

Derivative rights, which prohibit even a small appropriation of a copyrighted material, clearly stand in the way of the Web phenomena described above. As copyright owners become more diligent in asserting their copyrights over the Web, this discrepancy between copyright law and the public expectation is likely to become more real to the public. The increase in the number of users' groups, which advocate reforming copyright law to address users' interests, indicates that users may not quietly give in until copyright law conforms to their expectations.²⁴⁰

IV. PROPOSALS TO RESTRICT DERIVATIVE RIGHTS

In Part III, I argued that derivative rights under the current system are too expansive to be justifiable under various policy interests that underlie copyright law. In this section, I consider three alternative ways of restricting derivative rights: (1) compulsory licensing; (2) the fair use doctrine; and (3) the reformulation of the definition of a "derivative work".

²³⁷ *Viacom to Trek Sites: Resistance is Futile*, HOUSTON CHRONICLE, Dec. 21, 1996, at Business p. 1.

²³⁸ Jerry Hirsch, *Disney on Net: Rated G . . . or X*, ORANGE COUNTY REGISTER, Jan. 23, 1997, at A1. Disney has its own official Web site, which records more than 4 million visitors daily. *Id.* Disney's site is the most popular entertainment Web site in the nation, according to PCMeter, an Internet tracking agency in Port Washington, N.Y. *Id.*

²³⁹ *Id.*

²⁴⁰ Among many interest groups representing the user community, more active ones include: the Electronic Frontier (<http://www.eff.org>), the Union for the Public Domain (<http://www.public-domain.org>), and the Digital Future Coalition (<http://www.ari.net/dfc/>).

A. *Compulsory Licensing*²⁴¹

An appropriative artist who attempts to seek permission to use a copyrighted work faces two significant obstacles: money and the difficulty of obtaining permission. Compulsory licensing would get rid of the permission problem, thus alleviating the money problem by eliminating transactional costs associated with negotiation to obtain licensing. On the other hand, compulsory licensing would still discriminate against appropriative works because licensing fees increase the cost of producing appropriative works. The increase in fees can be significant especially for artists who appropriate from many different sources to create a single work and for web publishers who use copyrighted works for a non-commercial purpose.

Moreover, the compulsory licensing scheme raises at least a few administrative problems. First, it is also not clear how one can devise a fair pricing schedule. For an information database, a bit-based pricing scheme—a pricing scheme based on the amount of data taken—seems reasonable since it reasonably represents the value of appropriated information. However, for literary or artistic works, the amount appropriated does not necessarily represent the value of what is appropriated. In fact, given the nature of these works, it is highly unlikely that one could devise a mechanical pricing scheme that would fairly capture a value of what is taken. Second, it is not easy to decide whether a work at issue is derivative or original because courts have not given clear guidance on when a work is deemed to be derivative. Under the compulsory licensing scheme, would an artist need to pay licensing fees if she thinks her work looks similar to a work by another artist? What happens if the artist finds another work by B that is similar to a work by A? Does she need to obtain licensing from both? Third, most people will have little incentive to comply with the compulsory licensing scheme. It is unlikely that an individual will “get caught,” unless she is a well-known artist. Given a very

²⁴¹ Professor Ginsburg advocates subjecting only low authorship work to compulsory license. Ginsburg, *supra* note 132, at 1924-27, 1938. Examples of low authorship works include telephone directories and compilations. Ginsburg, *supra* note 132, at 1870. Excluded from her proposal on compulsive licensing are high authorship works, which are characterized by authorial presence. Ginsburg, *supra* note 132 at 1870.

small likelihood of becoming accused of copyright infringement, it seems reasonable for her to ignore the licensing payment issue to reduce the production cost.²⁴²

Finally, the compulsory licensing scheme can be used by the copyright industries to further restrict users' rights. Courts have taken into account the availability of means to enforce copyright in deciding whether a particular use is a fair use.

²⁴³Any effective compulsory licensing scheme in the digital era would require capacity to monitor file transfer activities and to control access to files once downloaded on to users' computers. The same mechanism can be applied to charge fees for browsing and to constrain even private use of copyrighted materials.²⁴⁴

B. *The Fair Use Doctrine*

Several commentators have recommended the application of the fair use doctrine to promote appropriative creative activities.²⁴⁵ Arguably, such an application is consistent with precedent, as courts have used the fair use doctrine to curb the monopoly given to a copyright owner in order to serve greater public interests.²⁴⁶ Additionally, appropriative activities can be analogized to criticism, commentary or parody, in the sense

²⁴² See Daniel Kahneman & Amos Tversky, *Conflict Resolution: A Cognitive Perspective*, in INTRODUCTION TO BARRIERS TO CONFLICT RESOLUTIONS 54, 59 (Kenneth Arrow et al. eds., 1995) (describing risk and loss aversive behaviors).

²⁴³ American Geophysical Union v. Texaco, Inc., 60 F.3d 913 (2d Cir. 1994). Compare American Geophysical Union v. Texaco, Inc., 802 F. Supp. 1, 2-9, 24-26 (S.D.N.Y. 1992) (Leval, J.) (discussing the rise of practicality of the non-profit Copyright Clearance Center, which offers two types of services: (1) Transactional Reporting Service, (fees based on number of copies made); and (2) Annual Authorization Service (Blanket License based on photocopy survey)), with Texaco, 60 F.3d at 936-37 (Jacobs J., dissenting) (arguing availability of the CCC licensing scheme should not be considered in the analysis of the fourth fair use factor).

²⁴⁴ See also *supra* note 170.

²⁴⁵ See Ames, *supra* note 6 (stating that the fair use doctrine should be used to foster modern appropriative art as a valid form of criticism and comment); Carlin, *supra* note 6 (arguing for the use of the fair use doctrine to foster appropriative art); Sonya del Peral, Comment, *Using Copyrighted Visual Works in Collage: A Fair Use Analysis*, 54 ALB. L. REV. 141 (1989) (arguing for fair use defense for use of copyrighted images in collage). See also Jane C. Ginsburg, *Domestic and International Copyright Issues Implicated in the Compilation of a Multimedia Product*, 25 SETON HALL L. REV. 1397, 1404-07 (1995) (outlining issues raised in applying the fair use doctrine to appropriative use under multimedia environment).

²⁴⁶ See *supra* notes 67-68 and accompanying text.

that appropriators are likely to face difficulties in obtaining licensing and that costs of licensing would make appropriations prohibitively expensive for those artists who engage in a style of art that combines works from many sources.²⁴⁷

One major advantage of using the fair use doctrine is that it would allow courts to "optimize" copyright protection so that only socially beneficial appropriative uses are excused. Using the four fair use factors, courts are free to disfavor a clearly parasitic appropriative use, while excusing a highly creative appropriative use.²⁴⁸ On the other hand, the extension of the fair use doctrine to appropriative works is likely to further strain the doctrine, which many find unpredictable, if not incomprehensible.²⁴⁹ Because the statutory factors disfavor applications of the fair use to appropriative works,²⁵⁰ the reinterpretation of the fair use doctrine is inevitable, potentially increasing the unpredictability and complexity of the doctrine.

Moreover, the fact specific nature of the fair use doctrine makes it undesirable for artists who must make business decisions.²⁵¹ An artist cannot rely on any one favorable court ruling, since a slight change in fact can potentially change the outcome even for the same court. Thus, the fair use doctrine would leave an artist wondering which side of the boundary between fair use and infringement her work falls under. In this sense, copyright law would continue to discourage artists who fear litigation from engaging in appropriative art activities.

²⁴⁷ Wendy Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and Its Predecessors*, 82 COLUM. L. REV. 600 (1982) (arguing that the courts should employ fair use to permit uncompensated transfers that the market is incapable of effectuating).

²⁴⁸ See *supra* notes 68-76 and accompanying text.

²⁴⁹ See generally Weinreb, *supra* note 74 (discussing confusions surrounding fair use despite the 1976 enactment of the doctrine and Supreme Court decisions dealing with the doctrine).

²⁵⁰ See *supra* notes 74-76 and accompanying text.

²⁵¹ See, e.g., Weinreb, *supra* note 74, at 1138 ("[F]air use has historically been and ought to remain . . . an exemption from copyright infringement for uses that are fair. What is fair is . . . fact-specific and resistant to generalization . . .").

C. *Redefining Derivative Work*

I propose revising the definition of a "derivative work" as follows:

A "derivative work" is either (1) a work based significantly upon one or more pre-existing works, such that it exhibits little originality of its own or that it unduly diminishes economic prospects of the works used; or (2) a translation, sound recording, art reproduction, abridgment, and condensation.

Under this definition, most transformative works would not be considered derivative. For example, Koons' sculpture would not be a derivative work of Rogers' portrait although it is significantly based on Rogers' work, because it does not unduly diminish economic prospects of Rogers' work.²⁵² Similarly, most appropriative activities by Post-Modern artists would be noninfringing for the same reason. Additionally, most digital sampling would be noninfringing, for a resulting work is not "based significantly" upon the works taken. The noncommercial use of copyrighted images by a Web publisher would not be infringing as long as it does not compete with the market of the originals. Even if a Web page affects the market of the originals, it would escape an infringement charge if appropriation is insubstantial or if it exhibits some originality. Applying this analysis to the *Twin Peaks* case,²⁵³ I would not consider the defendant's book a derivative work despite the fact that the book was substantially based on the television show, because defendant's book cannot be considered to harm economic prospects of the television show.

I excluded musical arrangement, dramatization, fictionalization, and motion picture version from the list of "derivative works" in favor of facilitating expressive diversity. As a result, they are unlikely to be considered a "derivative work" under the first factor, since these works require significant creative contribution. This, however, does not leave a novelist unprotected, for she can rely on unfair competition law to prevent others from using her name or the title of her novel to advertise a movie based upon her novel.

²⁵² See *supra* notes 50-61 and accompanying text.

²⁵³ See *supra* notes 96-100 and accompanying text.

This proposal aims to update copyright law to accommodate the reality of creative process. By narrowing the scope of derivative rights, it aims to increase incentives to engage in Post-Modern art activities and to exploit the new digital technology. It also recognizes Romantic authorship exhibited by an appropriator by making an original appropriative work "non-derivative," unless it falls under one of five kinds of work explicitly recognized as a derivative work. Moreover, it allows significant room for individuals to engage in expressive activities by excluding those works that do not harm economic prospects of the original. For those works for which personhood interests are especially acute, the VARA properly extends the needed protection. For other works, the proposal aims to balance personality interests of a copyright owner with those of an appropriator by giving the copyright owner rights over any parasitic taking of her work and by granting the appropriator a right to use the copyrighted work to create a "new work."

CONCLUSION

Since derivative rights were introduced to the copyright system in 1870, the scope of derivative rights has continued to expand. Derivative rights are now so expansive that they allow a copyright owner to assert control over works that have little resemblance with her work and that have little effect on economic prospects of her work.

While Congress and courts continued to broaden derivative rights, the nature of creative activities changed dramatically. As the American landscape became saturated with copyrighted images, these images became raw materialized—we started to use them in our creative and expressive activities. Artists who follow Post-Modern art tradition, for example, often appropriate copyrighted images to create works that challenge the traditional notions of originality and authorship upon which value in fine art typically has been judged. When the Internet and digital technologies unleashed inexpensive tools for the digital image manipulation and Web publishing, even non-artists started using copyrighted works to engage in self-expression.

When one considers the effects of broad derivative rights on creative activities in light of these artistic and technological developments, such rights seem undesirable in many respects. Not only do they suppress expressive diversity by giving overly broad control over copyrighted works to their owners, they also cause allocative inefficiency by unduly inhibiting socially beneficial appropriative creative activities. They also encourage rent seeking by the copyright industries by providing disproportionately large rewards to those who create works with a wide popular appeal. Broad derivative rights ignore originality and personality interests of the appropriator in favor of the copyright owner, even when the copyright owner has little personality interests or even when the appropriator shows her creative 'genius' in her work. Furthermore, there are signs of growing dissatisfaction within the public sector over copyright law that prevents people from engaging in expressive activities over the Internet.

Consequently, the reexamination of derivative rights is necessary to eliminate these negative effects. I recommend narrowing the scope of derivative rights by revising the definition of a "derivative work," in order to prevent copyright law from inhibiting socially desirable creative activities.

