

## PART I

## ARTICLES

## PART I

442. DERIVATIVE RIGHTS AND DERIVATIVE WORKS IN  
COPYRIGHT\*

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There has been a quiet revolution in copyright law and the copyright industries. Copyright, which once protected only against the production of substantially similar copies in the same medium as the copyrighted work, today protects against uses and media that often lie far afield from the original. Copyright's subject matter has grown, too, making many of these uses and media themselves copyrightable. Both developments reflect the growth of new copyright industries. Hardcover book sales, which once represented the principal measure of a novel's popular success, are today dwarfed by the income from motion pictures, television series, sequels and merchandise derived from the novel. One current, popular motion picture, selling about \$3,000,000 in tickets a day, will reportedly earn even more from sales of dolls, sheets, posters, books and a full range of character merchandise.<sup>1</sup>

The 1976 Copyright Act,<sup>2</sup> like the 1909 Act which preceded it,<sup>3</sup> consolidates and advances these expansionary trends in protected rights

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This article is dedicated to the memory of Norman Garey who, in our tragically short acquaintance, taught me so much about copyright law and the copyright industries.

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<sup>1</sup> "MCA, Inc. Expects 'E.T.' Merchandise to Outsell the Movie," Wall Street Journal, p. 7, July 19, 1982.

<sup>2</sup> 17 U.S.C. §§ 101 *et. seq.*

<sup>3</sup> Act of March 4, 1909, 60th Cong., 2d Sess.

and protectable subject matter. The 1976 Act gives the copyright owner not only the exclusive right to reproduce its work in copies, but also the exclusive right, "to prepare derivative works based upon the copyrighted work."<sup>4</sup> (The Act defines derivative work as "a work based upon one or more preexisting works" and cites as examples, "a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted."<sup>5</sup>) The 1976 Act also leaves no doubt that derivative works are themselves independently copyrightable<sup>6</sup> and that the derivative author's transformation of the underlying work need not be extensive: "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'."<sup>7</sup>

Although the Act's commitment to derivative rights and derivative works is clear, judicial acceptance has been uneven. One reason—traced in the first part of this article—is historical. Copyright law was first shaped around the technology of the printing press and around the

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<sup>4</sup> 17 U.S.C. § 106(2).

<sup>5</sup> 17 U.S.C. § 101.

<sup>6</sup> 17 U.S.C. § 103(a).

<sup>7</sup> 17 U.S.C. § 101. However, copyright in a derivative work "extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material." 17 U.S.C. § 103(b).

Section 103 also includes "compilations" in the subject matter of copyright. Section 101 defines a compilation as "a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship."

The House Report elaborates the distinction between compilations and derivative works. "A 'compilation' results from a process of selecting, bringing together, organizing, and arranging previously existing material of all kinds, regardless of whether the individual items in the material have been or ever could have been subject to copyright. A 'derivative work,' on the other hand, requires a process of recasting, transforming, or adapting 'one or more preexisting works'; the 'preexisting work' must come within the general subject matter of copyright set forth in section 102, regardless of whether it is, or was ever copyrighted." H.R. Rep. No. 94-1476, 94th Cong. 2d Sess. 57 (1976). While a derivative work must, by this definition, draw on a work that comes within the general subject matter of copyright, a compilation need not. If, however, the compilation does consist of elements that fall within the subject matter of copyright, it is a "collective work," defined by section 101 to be "a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole."

assumption that the law's proper concern was with literal copies rendered in the same medium. While the subsequent growth in legitimate theaters, motion pictures and television opened vast new markets for derivative uses, impelling Congress to grant derivative rights to copyrighted works and to grant copyright protection to the derivative works created, courts either lagged or overreacted in accommodating the statute to the new rights and subject matter. In many unfortunate respects, copyright doctrine today remains wedded to the economics of the printing press and is divorced from the revolutionary realities of twentieth century markets.

Another problem—to be addressed in the remainder of this article—is that courts have had no general theory to guide them in the evenhanded resolution of cases involving derivative rights and derivative works. Copyright's competing philosophies—biases, really—offer little help in resolving the more difficult issues. Neither “high protectionism,” which favors an expansive construction of copyright, nor “low protectionism,” which favors a constricted reading, can satisfactorily resolve the paradox that every infringer of a derivative right is, by definition, itself the potential copyright owner of a derivative work, with an equal claim on copyright's system of investment incentives. The fact that the Copyright Act aims to encourage investment in original and derivative works alike seriously complicates the determination whether a particular derivative work infringes an original work.

This article will consider several points at which copyright's underlying economic principles require that rules shaped in the crucible of reproduction rights and copies be recast for application to derivative rights and derivative works. After tracing the history of derivative rights, the first part of the article considers the measure of infringement to be employed and the proper administration of remedies and exemptions from liability. The second part, which focuses on derivative works, considers three recurrent problems: the appropriate standards for protectability; coordinating the protection of derivative work and underlying work when one is in the public domain; and assessing the effects on the derivative work when a licensor has statutorily terminated the right to use the underlying work.

## *I. DERIVATIVE RIGHTS*

### *A. EVOLUTION OF DERIVATIVE RIGHTS*

#### *1. From 1720 to 1870.*

Early English copyright law defined copyright narrowly. The Statute of Anne gave authors and their assigns the exclusive right only to “print,

reprint or import” their books,<sup>8</sup> and courts were slow to read this language as covering more than literal copies. In *Burnett v. Chetwood*,<sup>9</sup> the first significant case to be brought under the Statute, the copyright owner of the Latin work, *Archeologia Philosophica*, sought to enjoin defendants from printing and publishing an English translation. Defendants objected that the statute was intended “only to restrain the mechanical art of printing,” and the Lord Chancellor was inclined to agree:

“a translation might not be the same with the reprinting the original, on account that the translator has bestowed his care and pains upon it, and so not within the prohibition of the act.”<sup>10</sup>

In *Gyles v. Wilcox*,<sup>11</sup> plaintiff sought to halt the printing of defendant’s abridgment, *Modern Crown Law*, on the ground that it borrowed verbatim, and differed only colorably, from his work, *Sir Matthew Hale’s Pleas of the Crown*. For Lord Chancellor Hardwicke, the question was whether defendant’s book was “the same” as plaintiff’s. Observing that where books are “colourably shortened only,” they undoubtedly infringe, Hardwicke concluded that “real and fair” abridgments are excused because “abridgements may with great propriety be called a new book, because not only the paper and print, but the invention, learning, and judgment of the author is shown in them.”<sup>12</sup> The cause was remanded for fact finding on the question.

These decisions against exclusive rights to translate and to abridge involved more than an easy, literal reliance on the statutory term, “copies.” The courts in both *Burnett v. Chetwood* and *Gyles v. Wilcox* were prepared to excuse derivative works on the single ground that they represented new works. Although it might seem strange to excuse an admitted piracy on the ground that the pirate’s treasure has independent as well as borrowed content, these early decisions properly recognized that the purpose of copyright is to encourage the production of new, original works, and that abridgments and translations are as important to their audiences as underlying works are to theirs. All that is missing from the decisions is a more explicit sense of the need to balance incentives: Will publishers produce full-length treatises if they know that they

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<sup>8</sup> 8 Anne c. 19 (1709).

<sup>9</sup> 2 Mer. 441, 35 Eng. Rep. 1008 (Ch. 1720).

<sup>10</sup> 2 Mer. 442, 35 Eng. Rep. 1009. An injunction was nonetheless granted on the ground that the work contained “strange notions” that, though “concealed from the vulgar in the Latin language,” would be improperly exposed if published in English. *Id.*

<sup>11</sup> 2 Atk. 141, 26 Eng. Rep. 489 (Ch. 1740).

<sup>12</sup> 2 Atk. 143, 26 Eng. Rep. 490.

cannot control sales, and reap profits, in the market for abridgments? Will abridgers, required to pay copyright tribute to the publisher of the full-length treatise, be left with sufficient profit to find the venture worthwhile?

American law during this period generally followed the results and rationale of the English decisions. The first American copyright act gave authors of maps, charts and books “the sole right and liberty of printing, reprinting, publishing, and vending” these works.<sup>13</sup> In one case, *Stowe v. Thomas*,<sup>14</sup> the court defined “copies” narrowly to hold that defendant’s German translation did not infringe plaintiff’s rights in her English language work, *Uncle Tom’s Cabin*. In the court’s view, to be a copy, a work must use the same language “in which the conceptions of the author are clothed.”<sup>15</sup> Like its English predecessors, the court alluded to the derivative work’s independent value and ignored its impairment of the potential market for Mrs. Stowe’s work; indeed, the court gave no weight to the fact that Mrs. Stowe had herself authorized and underwritten a German translation with which, no doubt, the defendant’s work directly competed.

The first great intellectual leap, auguring copyright’s break from the confines of “copies,” and the eventual statutory expansion of derivative rights, came in *Daly v. Palmer*,<sup>16</sup> a case that involved neither copies nor derivative rights. *Daly v. Palmer* involved the right, added in 1856,<sup>17</sup> to perform dramatic compositions publicly, and held that plaintiff’s performance rights in *Under the Gaslight* would be infringed by defendant’s planned public performance of another play, *After Dark*. The two plays had little in common—neither language, plot, nor incident—aside from a single scene in which one character, tied to a railroad track, is saved by another from an onrushing train. Even the two railroad scenes themselves contained material differences.<sup>18</sup> Were this a translation or abridg-

<sup>13</sup> Act of May 31, 1790, c. 15 § 1, 1 Stat. 124, 1st Cong., 2d Sess.

<sup>14</sup> 23 Fed. Cas. 201 (C.C.E.D. Pa. 1853).

<sup>15</sup> 23 Fed. Cas. 207.

<sup>16</sup> 6 Fed. Cas. 1132 (C.C.S.D. N.Y. 1868).

<sup>17</sup> Act of August 18, 1856, 11 Stat. 138.

<sup>18</sup> “It is true that, in one, A. is a woman, and that in the other, A. is a man; that, in one, A. is confined in a surface railroad station shed, and in the other, A. is confined in a cellar abutting on the track; that, in one, A. uses an axe, and in the other, A. uses an iron bar; that in one, A. breaks down a door, and, in the other, A. enlarges a circular hole; that, in one, B. is conscious, and is fastened to the rails by a rope, and, in the other, B. is insensible and is not fastened; and that, in one, there is a good deal of dialogue during the scene, and in the other, only a soliloquy by A., and no dialogue.”

ment case, the result would have been clear: defendant's work was too far removed from plaintiff's to infringe. Indeed, had plaintiff alleged that defendant's play was a copy of his own work, it seems likely that he would have lost. But because the case involved not the right to copy, but rather the right to perform a dramatic composition, the court was liberated from the approach taken in the earlier decisions requiring that the copyrighted work and the alleged copy be compared to determine infringement. The court could thus measure infringement by comparing the similarities that survived the work's transformation from the written page to the dramatic stage. Asserting that the "spoken words in each are of but trifling consequence to the progress of the series of events represented and communicated to the intelligence of the spectator," Judge Blatchford found the crucial similarity to lie in the "action, the narrative, the dramatic effect and impression, and the series of events in the two scenes."<sup>19</sup> At bottom, Blatchford recognized, it was the effect on paying audiences, not literal similarities or differences, that lay at the heart of copyright economics.<sup>20</sup>

## 2. From 1870 to 1976.

Congress first granted derivative rights in the 1870 Copyright Act, providing that "authors may reserve the right to dramatize or to translate their own works."<sup>21</sup> The right to abridge was not added until 1909 with the grant of the exclusive right to "translate the copyrighted work into other languages or dialects, or make any other version thereof, if it be a literary work."<sup>22</sup> The 1909 Act also continued the right to dramatize a 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 a design for a work of art.<sup>23</sup> The 1976 Act expanded and simplified the

6 Fed. Cas. 1136.

<sup>19</sup> 6 Fed. Cas. 1136.

<sup>20</sup> "A mere mechanic in dramatic composition can make such adaptation, and it is a piracy, if the appropriated series of events, when presented on the stage, although performed by new and different characters, using different language, is recognized by the spectator, through any of the senses to which the representation is addressed, as conveying substantially the same impressions to, and exciting the same emotions in, the mind in the same sequence or order."

6 Fed. Cas. 1138.

For a thoughtful review of the early English and American decisions see B. KAPLAN, *AN UNHURRIED VIEW OF COPYRIGHT* 9-34 (1967).

<sup>21</sup> Act of July 8, 1870, 16 Stat. 212 c. 230 § 86, 35 Cong., 2d Sess.

<sup>22</sup> Act of March 4, 1909, § 1(b), 60th Cong., 2d Sess.

<sup>23</sup> *Id.*

earlier formula, attaching the right to prepare derivative works to all forms of copyrighted works.<sup>24</sup>

Most of the early cases interpreting the new derivative rights involved the right to dramatize novels or stories, most were decided in the Second Circuit, and most recognized that, for the original work to be given the appropriate level of protection, literal changes could not be allowed to avoid infringement. *Daly v. Kirk La Shelle Co.*<sup>25</sup> is typical, the court there holding that defendant's play, "The Heir to Hoorah," infringed plaintiff's right to dramatize his story, "The Transmogrification of Dan," even though the play borrowed only the story's central incident and contributed events, characters and dialogue of its own. The themes stated in *Daly v. Palmer* resonated through these decisions. In *Kalem Co. v. Harper Bros.*,<sup>26</sup> the Supreme Court expressly relied on *Daly* to affirm a Second Circuit decision that defendant's motion picture, *Ben Hur*, infringed plaintiff's rights in the novel of the same name. It had made no difference to the lower court that defendant's work contained independent contributions and was itself copyrightable, and the Supreme Court was not disposed to disagree. Nor was the Court disturbed by the fact that to find infringement meant granting more capacious protection than had previously been given against strictly literal copies.<sup>27</sup>

### B. INFRINGEMENT OF DERIVATIVE RIGHTS

The English and American history reflects both a growing commitment to derivative rights and a clear sense that the proper measure for their infringement will often necessarily differ from the measure employed in cases involving the narrower reproduction right. Yet virtually none of the decisions has drawn a principled line capable of separating derivative rights from reproduction rights,<sup>28</sup> and only a few have

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<sup>24</sup> 17 U.S.C. § 106(2).

<sup>25</sup> 175 Fed. 902 (2d Cir. 1910).

<sup>26</sup> 222 U.S. 55 (1911).

<sup>27</sup> "It is suggested that to extend the copyright to a case like this is to extend it to the ideas, as distinguished from the words in which those ideas are clothed. But there is no attempt to make a monopoly of the ideas expressed. The law confines itself to a particular, cognate, and well-known form of reproduction. If to that extent a grant of monopoly is thought a proper way to secure the right to the writings this court cannot say that Congress was wrong." 222 U.S. 63.

<sup>28</sup> This may explain why one of the leading commentators on copyright law has concluded that section 106(2)'s grant of the right to prepare derivative works "may be thought to be completely superfluous," effectively replicating the right to reproduce and the right to perform. 2 M. NIMMER, COPYRIGHT § 8.09 [A] (1981).

systematically addressed the distinction's full implications: How, specifically, must infringement tests be reshaped to meet the peculiar needs of derivative rights? Must fair use and the originality requirement be recast? And what of remedies?

Copyright's underlying economic principles offer a helpful starting point for answering these questions. The purpose of copyright is to attract private investment to the production of original expression. Copyright seeks to achieve this purpose by giving copyright owners the exclusive right to reap the profits taken from reproductions, performances and other specifically prohibited uses of their original expression. This method implies a floor for investment by requiring that, to be protected, a work be original with the author and not copied from some other source. The method also implies a ceiling on investment by protecting expressions but not their underlying ideas, thus giving copyright investors no incentive to invest in the production of new ideas. In sum, the general incentive structure of copyright is to channel investment to the production of expression that is sufficiently original to qualify for copyright protection and to avoid infringing other copyrighted works.

Copyright's seminal design for regulating the production of copies provides the clearest example of this incentive structure at work. Section 106(1)'s grant of the exclusive reproduction right and section 102(a)'s declaration that copyright subsists in original works of authorship together establish one set of upper and lower limits to copyright investment. Margaret Mitchell and her publisher will invest time and money in writing, editing, producing and promoting the popular novel, *Gone With the Wind*, knowing that no one may copy the work's expressive content without their consent. They are also presumably aware of the floor and ceiling to their protection. They know that others will be free to use any of the novel's underlying ideas—basic plot, theme and character elements—just as they themselves were free in producing the novel to borrow ideas from other works.

The incentive structure of the Act's provisions respecting derivative rights and derivative works differs in two ways. First, section 106(2)'s grant of the exclusive right "to prepare derivative works based upon the copyrighted work" enables prospective copyright owners to proportion their investment in a work's expression to the returns expected not only from the market in which the copyrighted work is first published, but from other, derivative markets as well. The copyright owners of *Gone With the Wind* can hope to monopolize not only the sale of the novel's hardcover and paperback editions, but also the use of the novel's expressive elements in translations, motion pictures and countless other derivative formats. Second, just as these owners had a copyright incentive to originate the expression for the novel, *Gone With the Wind*, section



103—which extends copyright protection to the original elements of derivative works—gives them and their licensees an incentive to add original expression to each derivative work in order to qualify it for copyright protection of its own.

Taken together, sections 102(a) and 103, and sections 106(1) and 106(2), give a prospective copyright owner the incentive to make an original, underlying work, the exclusive right to make new, successive works incorporating expressive elements from the underlying work, and the incentive and exclusive right to make still newer, successive works based on these. The continuum may stretch from an underlying novel or story to the work's adaptation into a motion picture, its transformation into a television series, and the eventual embodiment of its characters in dolls, games and other merchandise. The works at the outer reaches of this continuum, and some intermediate works as well, will frequently bear scant resemblance to the expression *or* the ideas of the seminal work and will often be connected only by a license authorizing use of a title or character name.

This analysis offers some help in identifying the point at which the right “to reproduce the copyrighted work in copies” leaves off and the right “to prepare derivative works based upon the copyrighted work” begins: It is that point at which the contribution of independent expression to an existing work effectively creates a new work for a different market. The infringer who copies a novel verbatim violates only the right to reproduce, for he has created neither independent expression nor a new market. An infringing novel that borrows expressive elements from the original, but adds new expressive elements of its own, also violates the right to reproduce since, treating two novels with overlapping expression and essentially the same themes and characters as close substitutes, no new market has been created. A paperback edition of a hardcover novel will also violate the right to reproduce since, though aimed at an arguably different market, it adds nothing expressively different to the original. By contrast, motion pictures, translations and comic strips based on the novel will all infringe the derivative right because they add new expressive elements and serve markets that differ from the market in which the original was first introduced.<sup>29</sup>

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<sup>29</sup> Has an infringer who strings together excerpts from the novel violated the reproduction right, the derivative right, or both? Although the infringer has added no expression of his own, he has contributed the arguably expressive effort of editing; and although the market for abridgments and condensations substantially overlaps the market for complete novels, the overlap is by no means perfect. Cases like these underscore the fact that the difference between the right to reproduce and the right to prepare derivative works will often be one of degree rather than kind and that, in these cases, the

Having determined that a derivative right is in issue, it is far more difficult and consequential to draw the line that separates infringing from non-infringing derivative uses. The central problem is that *all* works are to some extent based on works that precede them. Ravel's orchestration for *Pictures at an Exhibition* clearly derived from Moussorgsky's *Suite for Piano*. But it is no less true that Moussorgsky derived the inspiration for his work from Victor Hartmann's sketches and drawings displayed in 1874 in the rooms of the St. Petersburg Society of Architects, and that Hartmann's sketches and drawings derived from subjects and from compositional, stylistic and thematic elements appearing in earlier works. The example, admittedly stretched, should at least suggest the nature of the problem.

Judicial guidance has been uncertain at best. Copyright's main infringement measure, the idea-expression distinction, has been applied unevenly to derivative rights, bouncing between the high level of protection given against such uses as motion pictures and television productions and the low level of protection given against certain nonliterary uses such as accounting or legal forms. Decisions at both extremes are flawed—the first for using copyright to regulate conduct that is more properly the subject of state unfair competition law, the second for applying copyright in a way that directly contradicts the statute. Another problem is that courts have not always appreciated the special constraints that arise when the fair use defense is applied to derivative uses. And copyright remedies, originally shaped with the case of literal copies and directly competing markets in mind, are sometimes misapplied to cases involving derivative works in noncompeting markets.

### 1. *Ideas and Expressions*

According to copyright gospel, infringement will be found only if defendant's work copies from plaintiff's, and only if the copying produces substantial similarities between the expression, and not just the underlying ideas, of the two works.<sup>30</sup> Courts applying the idea-expression

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distinction is best resolved according to the comparative degree to which the infringing work belongs to one category rather than the other: the degree to which it adds expressive elements to the underlying work and the degree to which it serves a market different from the market for the underlying work.

<sup>30</sup> Substantial similarity serves two functions in infringement cases. To prevail in a copyright infringement action, plaintiff must prove both "(a) that defendant copied from plaintiff's copyrighted work and (b) 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).

distinction to claims of literary infringement hold that themes and bare plots are no more than unprotectable ideas, but that protection will be given against surface paraphrasing. As to the area between, courts generally treat the question as one of degree—the degree to which the copyright owner has developed theme and plot through setting, scenes, incidents, dialogue, characterizations and other detail, and the degree to which the alleged infringer has borrowed these details.<sup>31</sup>

The rules on copyright infringement were shaped in the years before derivative rights were added to the statute, when the only question for decision was whether defendant's work constituted a copy of plaintiff's. The easiest case for substantial similarity arose when defendant had made a verbatim copy of plaintiff's entire copyrighted work. But courts were also prepared in the early abridgment cases to prohibit copiers from borrowing long, verbatim passages from the copyrighted work or publishing their works with only colorable variations from the original. And, eventually, with the addition of the performance right, courts following *Daly v. Palmer* found infringement even if there was no literal similarity at all between the two works, but only substantial similarity in protectable elements of incident and characterization.

The idea-expression distinction is far more difficult to apply across different formats, between an underlying work such as a novel and a work such as a motion picture alleged to derive from the novel. Although motion picture producers pay substantial sums to acquire literary properties, the elements that they ultimately employ sometimes bear only scant resemblance to the original. The first step "in adapting a book for the screen is to pare it down, cut it back to the basics and distill it into what movie people call its 'filmable elements.'"<sup>32</sup> Although the film's producers will try not to make too many changes in well known novels, they make take considerable liberties with lesser known works. Some-

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Copying may be proved by defendant's admission that it had used plaintiff's work, or by other direct evidence on the point. Copying can also be proved inferentially by evidence of substantial similarity between plaintiff's and defendant's work and of defendant's access to the copyrighted work. Plaintiff may even prove copying through evidence of substantial similarity alone if the similarities are so extensive and distinctive that they can only be explained by the fact that defendant copied from plaintiff's work. Unlike the question of copying, on which expert testimony is admissible, the issue of unlawful appropriation calls for the impressions of ordinary observers as to substantial similarities between the competing works.

<sup>31</sup> Learned Hand gave this test its classic formulation in *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 122 (2d Cir. 1930). See also, Chafee, *Reflections on the Law of Copyright* (I), 45 COLUM. L. REV. 503, 518–525 (1945).

<sup>32</sup> Holt, *Books into Movies: The Big Compromise, Part II*, 219 PUBLISHERS WEEKLY, p. 34 (June 5, 1981).

times a single incident in the novel will form the entire movie—"we cut out everything else—the adult characters, the romantic interests, the outside problems and all the rest—to get to that little chunk."<sup>33</sup>

As a book is transformed into a movie or television series, descriptive passages drop out and the actors' and set designers' skills substitute for the novelist's detailed characterization and scenic descriptions. Screenplays, it has been noted, are "barely readable conglomerations of dialogue, camera directions, setting descriptions, and character analysis."<sup>34</sup> The standard form of literary agreement typically gives the producer the unquestioned right to alter the property at will. The first draft screenplay will invariably be rewritten in the course of filming and editing. Sometimes all that will be left of the original work is little more than the title. The result may be a motion picture that is truer to the novel than any more literal, plodding imitation could possibly be. But has expression been taken and not just ideas?

Benjamin Kaplan has astutely observed that it

"is surely wrong to assume that what Hollywood is content to call a dramatization or screen treatment of a novel or play would necessarily be an infringing copy if not licensed."<sup>35</sup>

Why, then, do firms negotiate and pay for elements whose use will not constitute copyright infringement? One answer is that they are buying the use of elements—primarily titles and character names—that, though not protected by copyright, may be protected under unfair competition or trademark law. More important, the license is the key to their participation in the overall commercial enterprise based on the underlying work, an enterprise that may consist of a multitude of carefully orchestrated elements including hardcover publication, mass market paperback publication, novelization of the motion picture, television sales and sales of merchandising rights, and in which each element enhances the value of the others.<sup>36</sup> And these firms are buying time. Timing often requires that licenses be executed well before the licensee knows whether its work will incorporate copyrighted elements of the underlying work. Indeed, rights are sometimes licensed at a point when the literary property is hardly more than a twenty-page outline prepared by a well-known author. A license at this early stage assures the producer of the freedom to use copyrighted elements if it later so chooses.

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<sup>33</sup> *Id.*

<sup>34</sup> C. ATKINS, *METHOD TO THE MADNESS: HOLLYWOOD EXPLAINED* 150 (1975).

<sup>35</sup> B. KAPLAN, *AN UNHURRIED VIEW OF COPYRIGHT* 56 (1967).

<sup>36</sup> See generally, T. WHITESIDE, *THE BLOCKBUSTER COMPLEX*, 64–88 (1981).

These practical considerations suggest that it is mistaken to confuse the scope of an executed license with the substance of the work produced under it. Courts, unfortunately, have repeatedly made the mistake. It is no coincidence that the principal cases establishing broad rights against infringement by derivative works characteristically involve situations in which the alleged infringer had at some earlier point sought a license.<sup>37</sup> The tendency in these cases, always unarticulated because legally irrelevant, is to take the earlier quest for a copyright license as evidence that one was needed, and to bar defendants from asserting that the rights they once tried to acquire do not now exist. For the reasons given, the emphasis is clearly misplaced. Prior negotiations may have motives that are completely irrelevant to the question of copyright infringement and should be given no weight in infringement determinations other than as evidence of access.

*Filmvideo Releasing Corp. v. Hastings*<sup>38</sup> indicates the depth of the problem. Defendant, owner of the copyrights in twenty-six Hopalong Cassidy novels, had licensed their dramatization in twenty-three motion pictures, reserving all television, broadcasting and radio rights. The copyrights in the novels had been renewed, and subsisted at the time of the suit. The copyrights in the motion pictures had not been renewed, so that the motion pictures were in the public domain at the time of suit. Plaintiff, which had acquired prints of the motion pictures, intending to license them for television broadcast, sought a declaratory judgment that the films did not infringe the copyrights in the novels.

Recognizing that "there will be some differences between a motion picture and the book upon which it is based because of differences in the nature of the medias,"<sup>39</sup> the court rested its finding that the motion pictures infringed the copyrights in the novels on only the scantiest similarities in "overall mood, message, general theme and total concept":<sup>40</sup>

1. The use of character names and the development of characters in the books and movies.
2. The use of songs throughout the movies and in the books.
3. The extensive use of outdoor descriptions in the books and the use of what can only be called scenic shots in the pictures.

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<sup>37</sup> See, e.g., *Bradbury v. Columbia Broadcasting System, Inc.*, 287 F.2d 478 (9th Cir. 1961); *Sheldon v. Metro Goldwyn Pictures Corp.*, 81 F.2d 49 (2d Cir. 1936).

<sup>38</sup> 509 F. Supp. 60 (S.D.N.Y.), *aff'd.*, C.C.H. Copyright Law Reports ¶ 25, 339 (2d Cir. 1981).

<sup>39</sup> 509 F. Supp. 63.

<sup>40</sup> 509 F. Supp. 64.

4. The extensive use of the names of places and towns in the movies as well as the books.<sup>41</sup>

The second and third sets of similarities, although contributing to the movies' western tone, were far too common to the genre to be protectable. Place names, though specific, have never been thought to be the subject matter of copyright. And, although fully developed characters are protectable,<sup>42</sup> it is not at all clear that, as developed, the two sets of characters were similar; indeed, the novels' central character, a "quick tempered," cussing, "diamond in the rough," was in the motion picture "turned inside out" to become a "kind, sentimental, thinking person."<sup>43</sup>

*Filmvideo's* implicit error was in mistaking the fact of a copyright license for evidence of copyright infringement. Its explicit error was in substituting proof that the alleged infringer had appropriated publicity values—the popularity of the stories and their central character—for proof that it had appropriated expressive, copyrightable elements. Nor is *Filmvideo* alone in its error, for courts purporting to apply the idea-expression distinction in these cases frequently weigh elements that only approximate, but do not duplicate, copyright's traditional concerns. Kalem's motion picture, *Ben Hur*, drew on the consumer associations that plaintiff's novel had attracted to the title. Palmer's use of Daly's railroad scene was doubtless intended to capture and draw off some of the public excitement surrounding Daly's play; the court was persuaded to its result at least in part by the undisputed allegation "that the chief value of the composition and its popularity depend upon said 'railroad scene.'"<sup>44</sup> It is entirely plausible that Kalem's movie would have been excused if it had been produced at a later time under a different title, and that Palmer's production would have been excused if it had been presented several years after Daly's production had closed down.

Copyright is made to do too much in resolving these cases in favor of the owners of underlying works. The task is better left to unfair competition and trademark law. Originally aimed at protecting con-

<sup>41</sup> 509 F. Supp. 63.

<sup>42</sup> See, e.g., *Nichols v. Universal Pictures Corp.*, 45 F.2d 119 (2d Cir. 1930). A more stringent test for copyrightability of characters, suggested in *Warner Brothers Pictures, Inc. v. Columbia Broadcasting System, Inc.*, 216 F.2d 945, 950 (9th Cir. 1954), has been treated as *dicta* in other circuits, see, e.g., *Columbia Broadcasting System, Inc. v. DeCosta*, 377 F.2d 315, 320 (1st Cir. 1967); *Goodis v. United Artists Television, Inc.*, 425 F.2d 397, 406 (2d Cir. 1970), and implicitly limited in the circuit of its birth, *Walt Disney Productions v. Air Pirates*, 581 F.2d 751 (9th Cir. 1978).

<sup>43</sup> 509 F. Supp. 65.

<sup>44</sup> 6 Fed. Cas. 1133.

sumers from the deception that occurs when one producer passes his goods off as coming from another, these two connected bodies of law have evolved to a point at which the original consumer interest against being deceived through the misuse of product symbols has subtly been transmuted to a producer right in the symbols themselves, apart from any deceptive effect.<sup>45</sup>

For example, in *Wyatt Earp Enterprises, Inc. v. Sackman, Inc.*,<sup>46</sup> the producer of the highly successful television series, *The Life and Legend of Wyatt Earp*, was given an injunction against defendant's manufacture of playsuits resembling the western costume worn by the show's hero, and against use of the name "Wyatt Earp" in connection with their sale. The court was persuaded that

"the name of Wyatt Earp had been battered into the public consciousness by the television program to an extent far beyond any fame or notoriety ever previously attached to the Marshal's name,"

and that as

"an indication of the public acceptance of the program there has been a great and increasing nationwide demand for articles and products sponsored by the plaintiff and bearing the name, mark and symbol of 'Wyatt Earp.'"<sup>47</sup>

If the title and central character of a television series can muster merchandising rights in entirely different media, it is not hard to imagine that unfair competition law can also control the use of names like "Ho-

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<sup>45</sup> See, e.g., *Hirsch v. S.C. Johnson & Son, Inc.*, 90 Wis. 2d 379, 280 N.W. 2d 129 (1979); *National Football League Properties, Inc. v. Consumer Enterprises, Inc.*, 27 Ill. App. 3d 814, 327 N.E. 2d 242 (Ill. App. Ct. 1st Dist.), cert. denied, 423 U.S. 1018 (1975).

<sup>46</sup> 147 F. Supp. 621 (S.D.N.Y. 1958).

<sup>47</sup> 157 F. Supp. 624. Recognizing that plaintiff had "entered into the business of licensing merchandise rights in connection with the program under agreements controlling the nature and quality of the goods licensed," and that the merchandise, was "in no way unique aside from its program identification, [and] obviously sells much more readily than the same merchandise would sell without the program identification, as borne out by the fact that manufacturers pay and seek to pay substantial sums of money for the privilege of sponsorship, by way of licensing agreements," the court concluded that "defendant's use of the name created a likelihood that the public would believe, erroneously, that its playsuits were licensed or sponsored by the plaintiff, to the injury of plaintiff's good will and to the hazard of its reputation." 157 F. Supp. 624-625.

palong Cassidy," titles like *Ben Hur*, and central incidents like the railroad scene in *Daly v. Palmer*, against uses in other media.

Unfair competition law's comparative advantages in resolving issues that might otherwise be resolved through an extended application of copyright's idea-expression distinction stem from the fact that, unlike copyright, which is concerned with expressive content, unfair competition is tailored to the capacity of information—symbols, titles and aggregates of ideas—to command public acceptance in the marketplace. For example, as contrasted with copyright's fixed term, which may in any case be too long or too short to preserve the marketing interests at stake, unfair competition protection is indeterminate, lasting only so long as the information's distinctive appeal continues. Copyright's substantial battery of remedies may be less effective than unfair competition law's well-modulated use of injunctive relief in controlling these forms of conduct. At the same time, the many exclusions from protection incorporated in the 1976 Act to meet the perceived needs of specific groups of copyright users may be inappropriate when employed to excuse these forms of marketing uses.<sup>48</sup>

*Warner Brothers, Inc. v. American Broadcasting Companies, Inc.*,<sup>49</sup> decided in the same district and year as *Filmvideo*, suggests the correct approach to these cases. Judge Motley there refused to give plaintiff, owner of the copyrighted *Superman* motion picture, television show and comic books, a preliminary injunction against defendant's production and broadcast of a television series, *The Greatest American Hero*, on the ground that the lack of expressive similarities between the two works made plaintiff's success on the merits unlikely. Although the dissimilarities were probably no greater than those in *Filmvideo*, the case was easier on its facts since defendant had borrowed neither plaintiff's title nor character names, had made no intimation that its work was "based on" plaintiff's, and apparently had never negotiated with plaintiff for a license to use its work.

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<sup>48</sup> State unfair competition law's general utility in these circumstances may be somewhat circumscribed by 17 U.S.C. § 301, a new provision abolishing common law copyright and preempting "equivalent" state doctrines. The Act's language is so broad and ambiguous that it may include some unfair competition actions within its preemptive net. To the extent that it does so, claimants can be expected to resort to the unfair competition provisions of the Trademark Act, 15 U.S.C. § 1125(a)(1970), which, as federal statutory law, are not preempted. 17 U.S.C. § 301(d).

See generally, Goldstein, *Preempted State Doctrines, Involuntary Transfers and Compulsory Licenses: Testing the Limits of Copyright*, 24 U.C.L.A. L. REV. 1107, 1110-1123 (1977).

<sup>49</sup> 523 F. Supp. 611 (S.D.N.Y.) *aff'd*, 654 F.2d 204 (2d. Cir. 1981).



In later granting defendant's motion for summary judgment,<sup>50</sup> Judge Motley expanded on her earlier reasoning. She began by matching the ideas that the two works had in common—main characters who used their superhuman and nonhuman attributes to fight evil, encounters with alien beings, a concealed identity and the hero's skin-tight costume with cape. Noting that these and other similar elements constituted only uncopyrightable ideas, Judge Motley traced their development into dissimilar expressions, settings and attitudes. Finding, for example, that the details of the two costumes were not substantially similar, she thought it important to add that

“the way characters feel about the appearances of their respective costumes is totally different. Superman takes his positively and stands tall in his outfit. Hinkley is clearly embarrassed by his suit and is reluctant to be seen in it.”<sup>51</sup>

In a phrase borrowed from the Court of Appeals opinion in the earlier case, “the ‘total concept and feel’ of the two works greatly differ.”<sup>52</sup>

Judge Motley then compared the central characters in the two works and found that they, too, were expressively dissimilar. Recognizing that, after “forty years of development in various media, Superman is a well-defined character sufficiently developed to deserve copyright protection,”<sup>53</sup> she found that defendant's hero, a classic “bumbler”—“trim, hungry-looking, non-macho, concerned with family and the everyday problems of life”—was not substantially similar to plaintiff's “non-stylish, broad-shouldered, big-muscled, calm and confident square.”<sup>54</sup> Like the hero in *Filmvideo*, defendant's hero was the “mirror image” of plaintiff's copyrighted hero. But here the court properly treated inversion as evidence of non-infringement rather than of infringement.<sup>55</sup>

The court also ruled that there was no likelihood of confusion between the two works or their advertising and that plaintiff's unfair competition claims under section 43(a) of the Federal Trademark Act,<sup>56</sup> and under New York's Antidilution Act<sup>57</sup> and common law of unfair competition, were without merit. Recognizing that the “key to plaintiffs'

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<sup>50</sup> 530 F. Supp. 1187 (S.D.N.Y. 1982).

<sup>51</sup> 530 F. Supp. 1192.

<sup>52</sup> 530 F. Supp. 1193.

<sup>53</sup> 530 F. Supp. 1193.

<sup>54</sup> 530 F. Supp. 1194.

<sup>55</sup> 530 F. Supp. 1194.

<sup>56</sup> 15 U.S.C. § 1125(a) (1970).

<sup>57</sup> N.Y. Gen. Bus. Law § 368-d.

claim is whether, seeing the two works, "a viewer is likely to confuse the works, or believe that defendants' works were created, licensed or approved by plaintiffs,"<sup>58</sup> the court found that the dissimilarities between the heros' powers, costumes and visual images, and between phrases used in connection with the two works, were sufficiently great to make such confusion unlikely.

The message of *Warner Brothers*, and the thrust of this analysis generally, is that courts should, in deciding derivative rights infringement cases, give no weight at all to the fact that the alleged infringer at one time obtained or sought a copyright license from the copyright owner, except to the extent that the license provides evidence of access. Second, courts should determine whether a derivative right is involved at all. They should purposively ignore uncopyrightable elements such as titles and character names, and ask whether, absent these elements, the accused work sufficiently tracks the underlying work to infringe. In cases like *Filmvideo*, in which a motion picture is only loosely connected to a story by title, character and setting, this simple initial step should suffice to dispose of the case on the copyright ground, and to center decision on any pendent or joined unfair competition or trademark claim.<sup>59</sup>

Third, in closer cases in which some expressive similarities survive the second step, courts should ask whether these similarities are sufficiently substantial for the copyright infringement claim to succeed. Courts should be sensitive in these cases to the fact that a work's transfer from one format to another will sometimes transmute the underlying work's expression into different though equivalent forms, the most obvious example being a work's translation from one language into another. The Copyright Act's broad endorsement of derivative rights should be taken as a signal that Congress intended equivalent and not verbatim measures to control when necessary to give complete effect to derivative rights. But the Act's mandate is to find infringement only by those elements that are both equivalent and attributable to the changes in format. So, for example, in the case of a novel transformed into a motion picture or television series, it should be recognized that scenic descriptions will be transmuted into visual depictions and that character development through interior monologue will be transformed by the actor's professional contribution to his or her role. But incident and dialogue need not be transformed, and if these elements do not expressly appear in defendant's work, they are not infringed.

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<sup>58</sup> 530 F. Supp. 1197.

<sup>59</sup> A state unfair competition claim may be joined to the federal copyright count pursuant to 28 U.S.C. § 1338(b) if the federal claim to which it is attached is both "substantial" and "related."

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## 2. *The Calculus of Rights.*

Disregard for copyright's incentive structure has not been all in the direction of expanding the scope of derivative rights. Indifference to copyright economics has also occasionally produced improper curbs on derivative rights, most notably in cases perceived to involve utilitarian uses and fair uses of underlying works. The mistake in both contexts stems from a failure to distinguish between derivative rights and reproduction rights, and to recognize that the investment effects of section 106(2)'s exclusive right to prepare derivative works differ markedly from the investment effects of section 106(1)'s exclusive right to reproduce copies.

Derivative rights affect the *level* of investment in copyrighted works by enabling the copyright owner to proportion its investment to the level of expected returns from all markets, not just the market in which the work first appears, as is generally the case with reproduction rights. The publisher who knows that it can license, and obtain payment for, the translation, serialization, condensation and motion picture rights for a novel will invest more in purchasing, producing and marketing the novel than it would if its returns were limited to revenues from book sales in the English language.

Derivative rights also affect the *direction* of investment in copyrighted works. By spreading the duty to pay over different markets, section 106(2) tends to perfect the information available to the copyright owner respecting the value of its works to different groups of users. It also enables choices in light of that information. Knowing that the French and German language markets belong exclusively to it, a publisher of English language works may decide to invest in works that, once translated, will appeal to these audiences as well. The publisher can acquire a work because of its motion picture potential and can comfortably invest in the work's development and marketing to increase that potential. The publisher may choose either direction, both, or neither; and it can seek returns in other derivative markets, or only in the original market. The important point is that, by securing exclusive rights to all derivative markets, the statute enables the copyright proprietor to select those toward which it will direct investment.

### a. *Utilitarian Uses.*

Section 106 defines the array of exclusive rights conferred by copyright—the rights to reproduce in copies, to prepare derivative works, to distribute copies, to perform and to display the copyrighted work. A century ago, when the statutory grant of rights was far more limited, the idea-expression distinction was employed to resolve the threshold question of the proper array of rights. Thus, in *Stowe v. Thomas*, decided

before the copyright statute granted the right to translate, the court rested its decision against the right on the idea-expression distinction, specifically, on the premise that

“the claim of literary property . . . cannot be in the ideas, sentiments, or the creations of the imagination of the poet or novelist as dissevered from the language, idiom, style, or the outward semblance and exhibition of them.”<sup>60</sup>

*Stowe* possesses limited authority today, its decision on the right to translate effectively overruled by the 1870 amendments to the Act. Indeed, it is the statute and not the idea-expression distinction that is generally looked to today as the definitional source of exclusive rights. The one exception to this general reliance on statutory prescription, and the one area for which the idea-expression distinction is still held to be the sole determinant of rights, traces to *Baker v. Selden*<sup>61</sup> in which the Supreme Court held that plaintiff Selden’s copyright in his book, consisting of an essay describing a new system of bookkeeping and of book-keeping forms employing the system, was not infringed by defendant’s book containing similar forms. Recognizing that “no one has a right to print or publish his book, or any material part thereof, as a book intended to convey instruction in the art,” the Court drew the line at the ideas expressed: “any person may practise and use the art itself which he has described and illustrated therein.” The Court concluded that

“blank account books are not the subject of copyright; and that the mere copyright of Selden’s book does not confer upon him the exclusive right to make and use account books ruled and arranged as designated by him and described and illustrated in said book.”<sup>62</sup>

*Baker v. Selden* has won a wide following, in decisions acknowledging that copyrighted architectural drawings are not infringed by buildings constructed from them,<sup>63</sup> that traffic control systems are not infringed by bridges that embody them,<sup>64</sup> and that a book on sales techniques is

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<sup>60</sup> 23 Fed. Cas. 206.

<sup>61</sup> 101 U.S. 99 (1879).

<sup>62</sup> 101 U.S. 107.

<sup>63</sup> See, e.g., *Imperial Homes Corp. v. Lamont*, 458 F.2d 895 (5th Cir. 1972); *De Silva Construction Corp. v. Herrald*, 213 F. Supp. 184 (M.D. Fla. 1962). *But see* *Scholz Homes, Inc. v. Maddox*, 379 F.2d 84 (6th Cir. 1967).

<sup>64</sup> *Muller v. Triborough Bridge Auth.*, 43 F. Supp. 298 (S.D.N.Y. 1942).

not infringed by a motion picture illustrating those techniques.<sup>65</sup> *Jack Adelman, Inc. v. Sonner's & Gordon, Inc.*<sup>66</sup> typifies the underlying illogic of all these cases. Plaintiff there, owner of the copyright in a drawing of a dress, alleged that defendants had infringed its copyright by manufacturing and selling a dress substantially similar to its drawing. The court began by stating the issue correctly: "Does the copyright of a drawing of a dress give the owner of that copyright the exclusive monopoly to produce the dress itself?"<sup>67</sup> The court then gave the question a curious twist: "Assuming the drawing was a work of art, what was copyrighted—the drawing or the dress?"<sup>68</sup> From the fact that, under the applicable Copyright Office regulations, the dress itself could not be registered, the court drew the *non sequitur* that if the work alleged to infringe—the dress—is not copyrightable, then it cannot infringe a work—the drawing—that is admittedly copyrightable.<sup>69</sup> The court granted defendant's motion to dismiss, entirely ignoring that the question presented for decision was not whether copyright registration would have issued to a dress had it been presented to the Copyright Office, but rather whether the Act secured the owner of a copyright against the conduct alleged.

The *Adelman* court's confusion between protectable subject matter and protected rights reflects a general uncertainty about the holding of *Baker v. Selden*. Was it that plaintiff's blank forms were not copyrightable, or was it that, though copyrightable, they gave plaintiff no rights against the sort of use being made by defendant? Whichever was the holding, both are mistaken. *Baker's* reasoning is wrong with respect to the non-copyrightability of utilitarian subject matter, for the copyright statute has historically protected utilitarian subject matter, from the maps and charts covered by the first copyright act,<sup>70</sup> to computer programs, generally recognized as copyrightable under the 1909 and 1976 Acts.<sup>71</sup>

<sup>65</sup> *Borden v. General Motors Corp.*, 28 F. Supp. 330 (S.D.N.Y. 1939.) *Baker's* assumption that technical ideas and systems are not protected by copyright is now embodied in the 1976 Act's express exclusion of protection for "any idea, procedure, process, system, method of operation, principle or discovery." 17 U.S.C. § 102(b).

<sup>66</sup> 112 F. Supp. 187 (S.D.N.Y. 1934).

<sup>67</sup> 112 F. Supp. 188.

<sup>68</sup> *Id.*

<sup>69</sup> "... it is the drawing which is assumed to be a work of art and not the dress. It follows that plaintiff's copyright gives it the exclusive right to make copies or reprints of the drawing only, and that it gives the copyright owner no monopoly of the article illustrated." *Id.*

<sup>70</sup> Act of May 31, 1790, c. 15 § 1, 1 Stat. 124, 1st Cong., 2d Sess.

<sup>71</sup> See generally Cary, *Copyright Registration and Computer Programs*, 11 BULL. COPR. SOC'Y. 362 (1964); Maggs, *Computer Programs as the Object of Intellectual Property in the United States of America*, 30 AM. J. COMP. L. 251, 254-273 (1982).

*Baker's* reasoning is also wrong with respect to excused uses, since copyright has historically prohibited utilitarian uses, from the copying of telephone and business directories<sup>72</sup> to the publication of a book providing solutions to physics problems appearing in plaintiff's copyrighted text.<sup>73</sup> The real mistake of the decisions following *Baker* is in failing to perceive that all uses of copyrighted subject matter—from displaying a small sculptural work to using it as a paperweight—are utilitarian in the sense that all serve some human need; the attempt to distinguish between human needs on the basis of implicit notions about their comparative importance is a hopeless and a fruitless task.

*Baker v. Selden* can more helpfully be viewed as a threshold decision on derivative rights that, like *Stowe v. Thomas*, employed the idea-expression distinction as a vehicle for determining, in the absence of statutory direction, whether rights should be given against a previously unchallenged use. Instead of focusing on plaintiff *Selden's* forms and asking whether they were copyrightable and, if copyrightable, whether they enjoyed rights against reproduction, it is far more helpful in understanding the decision to begin with plaintiff's explanatory text—which the Court acknowledged was copyrightable and protected against reproduction—and to ask whether defendant's forms infringed plaintiff's derivative rights in the text. In 1879, when the case was decided, the answer had to be no, for the Copyright Act then in force limited copyright owners to the right to make copies, to dramatize or to translate. It was not until the 1909 Act dramatically expanded derivative rights that the Supreme Court could properly have asked whether Congress intended to encompass forms based on texts within its definition of derivative rights.

This suggests that the preferable approach in these cases, because more consistent with the general design of the Copyright Act, is to view the relationship between bookkeeping texts, dress designs and architectural plans on the one hand, and blank bookkeeping forms, dresses and buildings on the other, as a relationship between underlying works and derivative works. Viewed this way, the proper question to ask in determining whether an exclusive right should be given to prepare these latter works is whether the grant of such a right is needed to attract the appropriate amount of investment to the underlying work's expression, and to channel this investment in appropriate directions. Will more or better bookkeeping texts, dress designs and architectural plans be produced if publishers, designers and architects know that they can control

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<sup>72</sup> See, e.g., *Leon v. Pacific Telephone & Telegraph Co.*, 91 F.2d 484 (9th Cir. 1937).

<sup>73</sup> *Addison-Wesley Publishing Co. v. Brown*, 223 F. Supp. 219 (E.D.N.Y. 1963).

the production of forms, dresses and buildings based on their works? Are more or better texts, designs and plans needed? Answers will doubtless be diverse and difficult, but the questions need to be answered.

The questions are complicated by the fact that blank forms, dresses and buildings, unlike motion pictures, television series and posters, are generally viewed as uncopyrightable subject matter because of their perceived utilitarian content, with the result that the Act offers no independent incentives to their creation. However illogical the denial of protection to these *works*—and the illogic is considerable<sup>74</sup>—it does not argue against the grant of derivative *rights* to prepare them. The copyright owner's monopoly will not extend to the derivative work itself, and will necessarily be limited to the expressive content that the derivative work borrows from the underlying, copyrighted work. To protect the same expression in this new context will effectively withdraw nothing from free public access that the law has not already withdrawn. Although there is a legitimate concern that the general availability of injunctive relief may give the owner of the underlying work plenary control over the derivative work, the solution lies not in denying the right but in modifying the remedy.<sup>75</sup>

Put more concretely, this method of analysis would require that, in a case like *Jack Adelman*, the court should first determine the extent of protectable expression in the underlying dress design, and then determine the extent to which this expression has been copied in the alleged infringing dress. If the similarity is substantial, the derivative right has been infringed. Cases like *Baker v. Selden*, in which the shift in format

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<sup>74</sup> See P. GOLDSTEIN, COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES: CASES AND MATERIALS 709 (2d ed. 1981).

<sup>75</sup> See Part I(3), *infra*.

It may be objected that, by defining the derivative right as a right "to prepare *derivative works* based upon the copyrighted work," the Act intended to so circumscribe the right that it could be violated only by the production of a work that would itself be copyrightable. Under this view the preparation of a blank form, dress or building, based on a copyrighted bookkeeping text, dress design or architectural plan, would not infringe because it would not itself constitute a derivative work protected under the Act.

The short answer to this is that the Act does not require that the derivative work be protectable for its preparation to infringe. For example, while a derivative work, to be protected, must be "fixed in a tangible medium of expression," 17 U.S.C. 102(a), section 106(2) does not require that the work be fixed in order to infringe. As noted in the House Report, this represents one difference from section 106(1)'s reproduction right, "in the sense that reproduction requires fixation in copies or phonorecords, whereas the preparation of a derivative work, such as a ballet, pantomime, improvised performance, may be an infringement even though nothing is ever fixed in tangible form." H.R. Rep. No. 94-1476, 94th Cong. 2d Sess. 62 (1976).

dictates substantial changes in expression, require an added analytical step. The court should again first determine the extent of protectable expression in the underlying bookkeeping text, and should next determine the extent to which the expression has been copied in the alleged infringing form, *taking into account the changes required when a work is transferred from one format to another*. This last step, commonly taken by courts determining whether a work in one format, such as a motion picture, infringes a work in another, expressively different format, such as a novel, is necessary if derivative rights are to be given their intended full effect.

b. *Fair Use*.

Copyright's fair use defense will excuse an otherwise infringing use, such as criticism, news reporting, teaching, scholarship or research, if the purposes of the use are thought to be worthy. The 1976 Act lists four factors to be weighed in determining whether a particular use is fair: the purpose and character of the use; the nature of the copyrighted work, the amount and substantiality of the portion used; and "the effect of the use upon the potential market for or value of the copyrighted work."<sup>76</sup> This last factor has been said to be the most important.<sup>77</sup> It is clearly the most problematic, particularly in the context of derivative rights.

The problem with the potential market factor is that courts have given the term "potential" a far narrower construction than is appropriate in light of the Copyright Act's expansive grant of derivative rights. As has been seen, the Act gives the author of a novel exclusive rights not only to the market for hardcover sales, but also to paperback sales, magazine serialization or condensation, and motion picture and television productions, to list just the major potential markets. Any one of

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<sup>76</sup> 17 U.S.C. § 107:

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

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

<sup>77</sup> A. LATMAN, *THE COPYRIGHT LAW* 214 (5th ed. 1979).



these markets, and certainly all together, can yield far greater returns to the copyright owner than sales in the hardcover market alone. Yet, courts applying the potential market factor have generally inclined to identify potential markets with the market in which the work was first introduced or, at most, with closely bordering markets.

*Williams & Wilkins Co. v. United States*,<sup>78</sup> decided under the 1909 Act, before the fair use doctrine and its four factors were statutorily codified, typifies the error. The Court of Claims, affirmed by an equally divided Supreme Court, held there that defendant's photocopying of articles from plaintiff's medical journals for distribution to medical researchers constituted fair use and thus did not violate plaintiff's copyrights. Among the other reasons the court gave for its decision was that it appeared unlikely that defendant's use would interfere with plaintiff's sale of subscriptions to its journals.<sup>79</sup> The court's error, of course, was in looking to the effect of defendant's conduct on subscription sales—the only market that plaintiff had at that time entered—rather than on plaintiff's potential markets—one of which could have been the sale of licenses to photocopy articles from its journals. At best, the court's reasoning was circular: Defendant's conduct did not interfere with the potential market for licensing photocopies of the copyrighted work because plaintiff had no rights to that market; and plaintiff had no rights to the photocopying market because defendant's use was fair. Apart from its circularity, the problem with the reasoning is that it entirely ignores the language of the statute which, in giving the exclusive right to reproduce, clearly included the exclusive right to make photocopies—or to license others to make them—and thus established photocopying as a potential market for any copyrighted work.

The reasons for this persistent error are doubtless historical. The fair use defense was originally, and indelibly, shaped in cases involving works produced in the same format and in directly competing markets.

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<sup>78</sup> 487 F.2d 1345 (Ct. Claims 1973), *aff'd.*, 420 U.S. 376 (1975).

<sup>79</sup> Finding no evidence that defendant's photocopying practices reduced the number of subscriptions that plaintiff would otherwise have obtained, 487 F.2d 1357–1359, the court expressly refused to measure injury to potential markets:

It is wrong to measure the detriment to plaintiff by loss of presumed royalty income—a standard which necessarily assumes that plaintiff had a right to issue licenses. That would be true, of course, only if it were first decided that the defendant's practices did not constitute 'fair use.' In determining whether the company has been sufficiently hurt to cause these practices to become 'unfair,' one cannot assume at the start the merit of the plaintiff's position, *i.e.*, that plaintiff had the right to license. That conclusion results only if it is first determined that the photocopying is 'unfair.'

The defense originated at a time when there were no such dispersed uses as office photocopying or home videotaping, when there were few literary markets outside those in which copyrighted works were first introduced, and fewer markets still in which copyright owners had exclusive rights against which the defense could be tested. Justice Story first sketched the outlines of fair use in a decision rejecting defendant's claim that his work was only a fair abridgment of plaintiff's.<sup>80</sup> Holding for the plaintiff, Story said that in determining whether a use was fair and noninfringing it is important to inquire into

"the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work."<sup>81</sup>

Because the markets for the two works were so close, Story had no need to elaborate a more specific rationale for market injury. It was enough to presume that permitting defendant his use would deprive plaintiff of part of the market for his work.

The consequences of identifying "potential" markets with the market that the copyright owner first enters are particularly aggravated in cases involving derivative rights which, by definition, secure markets at some remove from the market first entered. Judicial treatment of parodies and satires offers an example of the problem. Parodies and satires represent derivative uses no less than dramatizations, abridgments or other arrangements of the underlying work. Yet, because they are perceived to be "deserving of substantial freedom—both as entertainment and as a form of social and literary criticism,"<sup>82</sup> courts have applied the fair use defense to excuse otherwise infringing parodies and satires, at least so long as they appropriate no more than is necessary to conjure up the original, copyrighted work.<sup>83</sup>

One problem raised by the purported distinction between parody and other forms of dramatization is to determine where permitted parody leaves off and proscribed dramatization begins. A recent decision, *Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Cooperative Productions, Inc.*,<sup>84</sup> shows just how fine the line can be. Plaintiff, owner of the copyrights in the novel and the film, *Gone With The Wind*, sought a prelim-

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<sup>80</sup> Folsom v. Marsh, 9 Fed. Cas. 342 (C.C.D. Mass. 1841).

<sup>81</sup> 9 Fed. Cas. 348.

<sup>82</sup> Berlin v. E.C. Publications, Inc., 329 F.2d 541, 545 (2d Cir.), cert. denied, 379 U.S. 822 (1964).

<sup>83</sup> 329 F.2d 545.

<sup>84</sup> 479 F. Supp. 351 (N.D. Ga. 1979).

inary injunction against defendant's presentation of *Scarlett Fever*, a three-hour musical production based primarily on plaintiff's film. Finding more similarity in the settings, characters, situations, relationships, theme and dialogue of the two works than was necessary to conjure up the original, the court rejected defendant's parody claim. In the court's judgment, *Scarlett Fever* was "neither a parody nor a satire" but, rather, was simply a musical adaptation of the film and the novel.<sup>85</sup> To constitute a parody entitled to the fair use defense, a work "must do more than merely achieve comic effect"—otherwise "any comic use of existing work would be protected."<sup>86</sup> The work

"must also make some critical comment or statement about the original work which reflects the original perspective of the parodist—thereby giving the parody social value beyond the entertainment function."<sup>87</sup>

The court also noted that a

"non-parodic or nonsatiric stage version of *Gone With The Wind* is a protected derivative use of the original work which only the holders of the valid, existing copyrights in such works have a right to exploit,"

and properly concluded that *Scarlett Fever* could "harm a potential market for or value of a stage version of *Gone With The Wind*."<sup>88</sup>

The real problem is that it is not at all clear why parodies or satires should be given the preferred treatment implicit in the fair use defense. The reason typically given for exempting parodies—that they are a valued form of social and literary criticism—is hardly complete; there are equally desirable uses in education, politics and industry that are not excused. A slightly better argument, though one not frequently given, is that it is unseemly for a copyright proprietor to be able to control the derivative right to lampoon his own work. Yet, even if this rationale justifies the exemption of parodies, it does not justify the exemption of satires, which use copyrighted works as a convenient vehicle for commenting not on the work itself but on some public issue entirely unrelated to the work.<sup>89</sup> Although satiric uses may serve a public interest in open

<sup>85</sup> 479 F. Supp. 357.

<sup>86</sup> *Id.*

<sup>87</sup> *Id.*

<sup>88</sup> 479 F. Supp. 361.

<sup>89</sup> See *MCA v. Wilson*, CCH COPYRIGHT LAW REPORTS ¶ 25, 287 (2d Cir. 1981); *Elsmere Music, Inc. v. National Broadcasting Co., Inc.*, 482 F. Supp. 741 (S.D.N.Y.), *aff'd*, 623 F.2d 252 (2d Cir. 1980).

comment and debate, they are no more deserving of a free ride than the many educational uses that are presently and properly constrained by copyright. Satire, unlike parody, has no inexorable need to “conjure up the original,” and the satirist should be made to come to terms with the copyright proprietor or to use some other work. In a word, courts are wrong to treat satiric uses any differently than other derivative uses of a copyrighted work.

### 3. Remedies.

The need to detach derivative rights from eighteenth-century notions about copyright is nowhere more evident than in the administration of remedies. The Copyright Act offers a wide, sometimes draconian, array of remedies: injunction, impounding and destruction of infringing articles, recovery of actual damages and profits or statutory damages, costs, attorney’s fees and criminal liability.<sup>90</sup> When given in aid of section 106(1)’s right to reproduce the copyrighted work in literal, or close to literal, copies, these remedies generally support the incentive needed to induce investment in original works without deterring other, independently valuable creative effort. But, when awarded against violations of section 106(2)’s right to prepare derivative works, these remedies will often distort copyright incentives, effectively giving the owner of the underlying work a greater monopoly than its investment deserves and inhibiting others from investing independent effort in the development of derivative works.

The strongest case for copyright’s extensive battery of remedies is in deterring the unauthorized production of literal or close to literal copies. Since, typically, copies of the work will already have been distributed under authority of the copyright owner, the public will obtain nothing new from the infringer. The single possible consumer advantage from infringing copies is a lower price, but monopoly profits have always been accepted as a necessary cost of the copyright system. Also, since the expense of copying and distribution is comparatively low, these remedies do not improperly penalize the infringer. The award of damages will do no more than tax the infringer for profits that the copyright proprietor otherwise would have made and for any independent injuries inflicted on the copyright proprietor; an injunction will require the infringer either to stop reaping these profits itself or to negotiate for a license from the copyright proprietor on terms that will split the profits between them.

Copyright remedies are only somewhat less efficient when awarded

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<sup>90</sup> 17 U.S.C. §§ 502–506; 509–510.

against derivative works such as translations, abridgments and musical arrangements that closely track the original. Frequently the infringing work will offer consumers art or information in forms not otherwise available. Good translations, for example, require extraordinary skill, insight and effort, and will often produce striking and original results. To the extent that the adapter has contributed new elements to the work, and to the extent that an award of damages and profits reflects the value of these elements, these monetary awards will give the copyright proprietor more than it needed to justify its investment in the underlying work. The award or threat of an injunction promises that any license the owner of the underlying work later negotiates with the adapter will extort from the adapter some part of the value that he or she added by altering the work. Weighing against these adverse effects, however, is the fact that, for good reason or bad, it was the copyright owner's work that the infringer chose to transform rather than some other copyrighted or public domain work that could have been used at lower cost. While a translation may open a new market, it will typically be the underlying work's structure, incident, character and dialogue, together with the author's reputation, that sells the work. On balance, there is no reason for translators not to be required to obtain licenses from the proprietor of the underlying work, and the full range of copyright remedies is appropriately applied to this class of derivative works.

The traditional array of copyright remedies is most problematic when applied against a work that derives in only small part from the underlying work and that contains substantial value of its own. In *Sheldon v. Metro-Goldwyn Pictures Corp.*,<sup>91</sup> for example, it was clear that defendant had borrowed from plaintiffs' copyrighted play, *Dishonored Lady*, in the production of its motion picture, *Letty Linton*. But it was also clear that defendant had paid for the right to use another copyrighted work in its production—Mrs. Belloc Lowndes' novel, *Letty Linton*, and had invested a substantial sum in producing and advertising the motion picture. Recognizing that a large proportion of defendant's profits could be traced to these expenditures, and to the reputation and effort of the movie stars involved, the Supreme Court affirmed the decree below apportioning the profits recovered by plaintiffs to one-fifth of the net profits earned by the motion picture—"only that part of the profits found to be attributable to the use of the copyrighted material as distinguished from what the infringer himself has supplied."<sup>92</sup>

The method of the Supreme Court's decision in *Sheldon* is correct

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<sup>91</sup> 309 U.S. 390 (1940).

<sup>92</sup> 309 U.S. 396. This approach is today expressly sanctioned by the Copyright Act, 17 U.S.C. § 504(b).

so far as it goes. The problem with the decision, or more properly with the decree below, is that, though confining the plaintiffs to recovery of one-fifth of the profits, it also gave them an injunction against the further distribution of the motion picture. As a practical matter, the award or threat of an injunctive decree enables the proprietor of even the most miniscule, but unauthorized, part of a derivative work to extort a substantial part of the work's full value from its producer. These effects are particularly aggravated in the motion picture industry where the size and pace of activity increase the likelihood that inadvertent infringements will occur, and where the costs of a search to assure that no innocent infringement has occurred will be far higher than the level presupposed by copyright law's choice of actual copying, rather than replication, as its determinant of infringement.

Preliminary injunctive relief is particularly troublesome in these cases since the ongoing expenses of production will often require the producer to settle a strike suit rather than expose itself to a costly halt in production. Errors and omissions policies, which insure against copyright and unfair competition claims, will usually not be issued unless the insurer is satisfied that experienced counsel for the producer or distributor has cleared all necessary rights to make the film. And, typically, the policy will not insure against losses arising out of an injunction against the film's production or distribution.<sup>93</sup>

Motion pictures are not the only derivative works for which injunctions—and the extraordinary relief of impounding and destruction—may be inappropriate. Television series, advertising campaigns and other large-scale endeavors in which the underlying works play only a small and unintended part may similarly require more discriminating relief. One solution in these cases, expressly allowed by the Copyright Act, is for the court in its discretion to withhold injunctive relief and award only damages or profits.<sup>94</sup> Another approach, not expressly pre-

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<sup>93</sup> P. BAUMGARTEN & D. FARBER, PRODUCING, FINANCING, AND DISTRIBUTING FILM 67-68 (1973).

<sup>94</sup> See 17 U.S.C. § 502(a). See also *Dun v. Lumbermen's Credit Ass'n.*, 209 U.S. 20 (1908). This approach has also been taken in patent cases. See, e.g., *Nerney v. New York, N.H. & H.R. Co.*, 83 F.2d 409 (2d Cir. 1936). For a similar suggestion respecting the use of impoundment and destruction remedies against derivative works, see Alexander, *Discretionary Power to Impound and Destroy Infringing Articles: An Historical Perspective*, 29 J. COPR. SOC'Y. 479, 499-503 (1982).

The principal disadvantage of this approach is that, like compulsory licensing generally, it may improperly reduce investment incentives by proportioning the copyright proprietor's returns to terms that an official tribunal believes are just rather than to terms privately struck in the marketplace. This approach is at least preferable to the compulsory licensing schemes

scribed by the Act, is to allow the injunction but to require the copyright owner to compensate the infringer for the cost to the infringer of complying with the injunction.<sup>95</sup> And in borderline cases, in which the derivative work's borrowing of copyrightable expression is questionable, it would probably be best to withhold copyright relief entirely, leaving the decree to be shaped by the far more flexible principles of unfair competition law.

## II. DERIVATIVE WORKS

Copyright offers both incentives and deterrents to derivative uses, protecting derivative works as well as prohibiting their unauthorized production. Since the decision to grant protection in any case implies that the derivative work will be given the same array of rights against reproduction and derivative uses as are given to other copyrighted works, the standards to be applied are in many respects identical to those that are applied to original works generally. Yet, the fact that the derivative work rests to some degree on a preexisting work also implies significant differences.

The principal difference in the structure of incentives for the production of derivative works stems from the work's connection to an underlying work, of which the derivative work's proprietor may be the owner, the owner's licensee, or an infringer. The nature of the connection is clearest when the owner of the derivative work is also the owner of the underlying work. Having once produced the expression in the underlying work, the copyright owner should gain no more rights when the same expression appears in the derivative work than it does when the expression appears in an authorized reproduction. The copyright owner will, however, obtain new rights in the derivative work's original expressive content, just as if it had created an entirely original work. Thus, if the underlying work's expression has, for some reason, fallen

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generally incorporated in the 1976 Act, since it would measure recovery by the perceived value of the copyrighted work, rather than by a uniform flat rate, and would be applied selectively to situations in which an injunction would give the copyright proprietor a far greater return than it would have needed as an inducement to create its work and would dissuade the copyright user—typically a copyright proprietor itself—from the level and direction of investment that the copyright law seeks to encourage. See generally Goldstein, *Preempted State Doctrines, Involuntary Transfers and Compulsory Licenses: Testing the Limits of Copyright*, 24 U.C.L.A. L. REV. 106, 1127–1139 (1977).

<sup>95</sup> Cf. *Spur Industries, Inc. v. Del E. Webb Development Co.*, 108 Ariz. 178, 497 P.2d 700 (1972). See generally Calabresi & Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089, 1105–1124 (1972).

into the public domain, so should the same expression in the derivative work, while the derivative work's original expression will be unaffected. And, if the derivative work's expression falls into the public domain, so should the same expression in the underlying work.

The rules should be no different when the derivative work is produced under license from the owner of the underlying work, for a license means only that the owner, who in the previous example elected to act as an integrated producer of underlying works and derivative works, has here chosen to disintegrate, dividing functions among presumably more efficient licensees. Further, licensor and licensee can provide in the license agreement for any assurances and indemnifications needed to protect the licensor against the possibility that the licensee's noncompliance with copyright formalities will place the common expressive elements of the two works in the public domain.

The rules should, however, differ when it is an infringer rather than a licensee who produces the derivative work. The absence of any consensual arrangement between owner and infringer means, of course, that the owner could not have contracted against acts of the infringer that might divest copyright protection for the underlying expression. As a result, divesting acts by the infringer, such as publication without the proper copyright notice, should not defeat the copyright owner's underlying rights. Should the fact that the derivative work is an infringing work also deprive it of copyright protection for its original, expressive elements? What if the borrowed, expressive elements pervade the entire derivative work? As will be seen, the 1976 Act has not been particularly discriminating in its answer.

## A. STANDARDS FOR PROTECTION

### 1. *Originality*

Copyright sets a low standard for protection, requiring only that the work originate with its claimed author. The law imposes no novelty requirement, nor any requirement of creativity or aesthetic value, and asks only that the elements for which protection is sought not have been copied from some other source.<sup>96</sup> In the case of derivative works, this means that copyright will cover all the elements that the derivative user added in transforming the underlying work. Copyright on the derivative user's contribution will not, however, affect the status of the underlying

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<sup>96</sup> See *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49 (2d Cir.), *cert. denied*, 298 U.S. 669 (1936).



work, which may be in the public domain or independently covered by copyright.<sup>97</sup>

*L. Batlin & Son, Inc. v. Snyder*<sup>98</sup> suggests some of the problems that arise in administering the originality requirement. The court there found no originality in a plastic toy bank adapted from a metal bank in the public domain, even though the plastic replica altered many features of the underlying work and contributed elements of its own.<sup>99</sup> In the court's view, "to support a copyright there must be at least some substantial variation, not merely a trivial variation such as might occur in the translation to a different medium."<sup>100</sup> The court distinguished *Alva Studios v. Winninger*,<sup>101</sup> in which originality had been found in plaintiff's exact reproduction of Rodin's "Hand of God," even though the reproduction embodied no differences, save size, over the original. "The complexity and exactitude there involved distinguishes the case amply from the one at bar."<sup>102</sup>

Paradoxically, it is *Winninger*, not *Batlin*, that represents the hard case for originality. Standard doctrine declares that neither skill and effort—nor complexity and exactitude—will of themselves confer originality on a work that is copied from another.<sup>103</sup> Only uncopied expressive elements will meet the traditional standard. Although *Winninger* is a close case under this standard, it is probably correct, for plaintiff's work had changed the scale of the original, just as would a careless—but protectable—snapshot of Rodin's sculpture taken by a passing tourist. This minimal originality requirement poses few hazards for copyright's overriding policy that public domain works be free for all to copy; giving copyright to the skilled reproduction or the amateur photograph will

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<sup>97</sup> Section 103(b) provides:

The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.

<sup>98</sup> 536 F.2d 486 (2d Cir. 1976).

<sup>99</sup> "Appellant Snyder claims differences not only of size but also in a number of other very minute details: the carpetbag shape of the plastic bank is smooth, the iron bank rough; the metal bank bag is fatter at its base; the eagle on the front of the platform in the metal bank is holding arrows in his talons while in the plastic bank he clutches leaves, this change concededly having been made, however, because 'the arrows did not reproduce well in plastic on a smaller size.'" 536 F.2d 489.

<sup>100</sup> 536 F.2d 491.

<sup>101</sup> 177 F. Supp. 265 (S.D.N.Y. 1959).

<sup>102</sup> 536 F.2d 491–492.

<sup>103</sup> *Alfred Bell & Co., Ltd. v. Catalda Fine Arts, Inc.*, 191 F.2d 99 (2d Cir. 1951).

bar others only from copying the reproduction or the photograph, and not from reproducing or taking a photograph of the statue themselves. Yet, the force of this reasoning indicates that the more substantial new elements added in *Batlin* clearly sufficed to carry the subject matter there well past the originality threshold.

It is tempting to confine *Batlin* to the narrow questions that it and *Winner* raised—when will a reproduction of a public domain work in the same medium be original, and should the general originality standard be tempered to accommodate the 1909 Act’s explicit recognition of the copyrightability of “reproductions of a work of art”?<sup>104</sup> Yet, the rules announced unavoidably extend to cases in which the underlying work is protected by copyright and in which the adaptation has been made in a different medium. In *Durham Industries, Inc. v. Tomy Corp.*,<sup>105</sup> the Second Circuit Court of Appeals held that Tomy’s wind-up plastic toys, “instantly recognizable as the Disney characters Mickey Mouse, Donald Duck, and Pluto Dog,” were not sufficiently original to sustain copyright protection. (Tomy had “registered its three Disney figures as derivative works, identifying Disney as the creator of the original characters and claiming copyright only ‘in the specific sculptural renditions’ of each character.”<sup>106</sup>) The court relied on *Batlin* to reject the

“contention that the originality requirement of copyrightability can be satisfied by the mere reproduction of a work of art in a different medium, or by the demonstration of some ‘physical’ as opposed to ‘artistic’ skill,”

and held that

“Tomy has demonstrated, and the toys themselves reflect, no independent creation, no distinguishable variation from pre-existing works, nothing recognizably the author’s own contribution that sets Tomy’s figures apart from the prototypical Mickey, Donald and Pluto authored by Disney and subsequently represented by Disney or its licensees in a seemingly limitless variety of forms and media.”<sup>107</sup>

*Tomy’s* error was not in applying the traditional originality requirement to derivative works, but in taking *Batlin*, rather than *Winner*, as

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<sup>104</sup> Act of March 4, 1909, § 5(h), 60th Cong., 2d Sess.

<sup>105</sup> 630 F.2d 905 (2d Cir. 1980).

<sup>106</sup> 630 F.2d 909, n. 5.

<sup>107</sup> 630 F.2d 910.

the proper measure of originality. The court was apparently concerned that if it

“were to recognize Tomy’s derivative copyrights in its figures, those who, like Durham, have obtained from Disney the right to copy Disney’s own characters would, as a practical matter, have to make substantial changes to these characters in order to avoid infringing Tomy’s rights.”

The court recognized that in “theory, of course, there would be no infringement of Tomy’s rights if Durham copied Disney’s characters and not Tomy’s figures,” but “because proof of access plus substantial similarity can support a finding of infringement, Durham would at the very least be vulnerable to harassment.”<sup>108</sup> Yet, the possibilities for harassment are no greater than those that have historically attended the originality requirement, and that represent one of the accepted costs of the policy decision not to impose novelty or creativity as a copyright standard. Nor is the evidential problem invariably as severe as the court supposed. Indeed, under the facts, Durham had conceded that “in making these toys it used Tomy’s Disney figures as models.”<sup>109</sup>

The impropriety of *Tomy’s* originality rule is particularly evident when the rule is applied to other types of derivative works. For example, a motion picture based on a novel will typically consist in part of elements copied whole from the novel which will not be original to the motion picture, in part of elements that represent the change required to transform the novel into a movie, and in part of elements entirely originated by the motion picture producer. As has been seen, use of the second element, like use of the first, will, unless licensed, infringe the copyright in the underlying work. Yet only blind adherence to symmetry would dictate that because the second, intermediate elements sufficiently belong to the owner of the underlying work to constitute infringement, they should not also sufficiently belong to the creator of the derivative work to be original. Although protection of the derivative *right* may be necessary to attract investment to the underlying work, protection of these elements of the derivative *work* may also be necessary to attract investment to that work; the decision to protect derivative works may require that others be barred from copying these elements. Happily, this approach has been followed outside the Second Circuit.<sup>110</sup>

<sup>108</sup> 630 F.2d 911.

<sup>109</sup> 630 F.2d 908.

<sup>110</sup> *Doran v. Sunset House Distrib. Corp.*, 197 F. Supp. 940 (S.D. Cal. 1961), *aff’d*, 304 F.2d 251 (9th Cir. 1962).

## 2. *Noninfringement.*

The 1976 Act connects the question of a derivative work's copyrightability with the question whether the work infringes the work from which it is derived. Under section 103(a), "protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully." According to the House Report,

According to the House Report,

"an unauthorized translation of a novel could not be copyrighted at all, but the owner of copyright in an anthology of poetry could sue someone who infringed the whole anthology, even though the infringer proves that publication of one of the poems was unauthorized."<sup>111</sup>

Section 103's wisdom doubtless seemed self-evident to its framers. If the originality requirement withholds copyright protection from those elements that copy a public domain work, it certainly should follow that protection be withheld if these elements unlawfully borrow from a copyrighted work. The rule is, however, hard to justify when applied to derivative works such as the motion picture in *Sheldon v. MGM* in which the underlying work represents only a small part of the value of the derivative work but, because it underlies the whole, will defeat copyright protection for the entire derivative work. Just as an injunction against the motion picture gave plaintiff there a greater return than was needed to induce his investment in the underlying work, so depriving the motion picture owner of all protection against others will give it far less return than is needed to justify investment in the derivative work. It is difficult to understand why, if the proprietor of the underlying work chooses not to enforce its copyright against the derivative user, an infringer of the derivative work should be allowed to use the underlying copyright defensively. And, if the proprietor of the underlying work does choose to proceed against the derivative work, there seems no reason to enhance the already extortionate value of an injunctive decree with the added value of the derivative user's rights against all potential infringers of its work.

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<sup>111</sup> H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 57-58 (1976).

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## B. DERIVATIVE WORKS IN THE PUBLIC DOMAIN

The interdependence of protection for underlying and derivative works poses conceptually more difficult questions when the derivative work is in the public domain. For example, in *Grove Press, Inc. v. Greenleaf Publishing Co.*,<sup>112</sup> the underlying French language work, Jean Genet's *Journal du Voleur*, was protected by a valid United States copyright while, according to defendant, the authorized English translation, *Thief's Journal*, was not, because the publisher had failed to comply with the *ad interim* and manufacturing requirements of the 1909 Act. When the copyright owner of *Journal du Voleur* sought to enjoin defendant from making and selling copies of the authorized English translation, defendant responded that it had done no more than copy a work in the public domain. Assuming without deciding that the authorized English translation was in the public domain, the court held for plaintiff on the ground that, in copying the English translation, defendant had also wrongfully appropriated copyrighted elements from the underlying French language work.

The court captured the paradox of the case by asking, "What did Greenleaf copy when it copied this English translation?"<sup>113</sup> To hold that defendant was free to copy the public domain work would necessarily sanction an unauthorized derivative use of the copyrighted underlying work. Yet, to prohibit the defendant from copying the English translation would, for all practical purposes, take the translation out of the public domain. Although no completely satisfactory resolution was possible, it is clear that, on balance, the court reached the less satisfactory of the two possible results.

The principal error in the court's approach was to treat defendant's copying like any other infringement of the right to translate—as the appropriation of the novel's essence, its "plot, plan, arrangement, characters and dialogue" and "not simply its form of articulation."<sup>114</sup> The difference separating *Grove* from the ordinary derivative rights case was that between plaintiff's original work and defendant's translation an authorized translation had been produced and thrust into the public domain for failure to comply with the Act's formalities. In light of this distinguishing fact, the better approach would have been for the court to focus on the authorized translation and to ask how the policies that placed it in the public domain could be served without at the same time diserving the copyright proprietor's interest in securing returns across

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<sup>112</sup> 247 F. Supp. 518 (E.D.N.Y. 1965).

<sup>113</sup> 247 F. Supp. 524.

<sup>114</sup> 247 F. Supp. 525.

the full range of derivative rights.

Viewed in this light, the correct result would have been to allow the defendant to copy the translation. The result would place no especially heavy burden on publishers who, in licensing derivative rights, can require their licensees to comply with all necessary copyright formalities and to indemnify and hold the publisher harmless against their failure to comply with the formalities.<sup>115</sup> Nor would publishers' failure to control their licensees' behavior result in the loss of exclusive rights to any other market for the work. Thus, if *Grove Press* had been decided the other way, the owner of the underlying work would still have had the exclusive right to translate the work into any other language, to abridge it, to make a motion picture or play from it, or to adapt the work in any number of other ways. Indeed, the publisher would even have retained the exclusive right to prepare a different, "authorized" English translation of the work. It was only one particular English translation that had fallen into the public domain, and it would have been a relatively painless vindication of the policies behind the formalities provisions to require that the copyright owner share this market with another.<sup>116</sup>

The *Grove Press* approach is particularly undesirable if it is used to protect public domain derivative works that are only loosely based on the underlying work.<sup>117</sup> These works, such as motion pictures based on novels, will typically contain many more independently copyrightable elements than a translation, elements that properly belong in the public domain if the derivative work has not complied with the statutory formalities. By prohibiting the copying of the elements that these works share with the underlying work, the *Grove Press* approach will often effectively rescue the other, independent elements from the public domain. The only consoling feature of the *Grove Press* approach is that,

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<sup>115</sup> In the court's view, "to impose upon the author the duty to see that the Olympia edition obtained *ad interim* protection in the United States in order that his own copyright on the pattern of the underlying work might survive, would appear to be imposing upon the author an unnecessarily burdensome requirement." 247 F. Supp. 528. It is, of course, not authors who would bear this burden, but their publishers.

<sup>116</sup> See generally Note, 79 HARV. L. REV. 1718 (1966).

<sup>117</sup> This is precisely the use of *Grove Press* that was made in *Filmvideo Releasing Corp. v. Hastings*, 426 F. Supp. 690, 694-695 (S.D.N.Y. 1976). The facts and subsequent history of *Filmvideo* are discussed *supra*, text accompanying notes 38-43. See also *Russell v. Price*, 612 F.2d 1123 (9th Cir. 1979), *cert. denied*, 446 U.S. 952 (1980).

For an excellent, detailed analysis of issues in the area, see Nevins, *The Doctrine of Copyright Ambush: Limitations on the Free Use of Public Domain Derivative Works*, 25 ST. LOUIS U.L.J. 58 (1981).

with the 1976 Act's general relaxation of formalities, the occasions for its application should be fewer than in the past.

### *C. TERMINATION OF THE RIGHT TO USE THE UNDERLYING WORK*

The interdependence of underlying and derivative works may also raise problems when the licensee's right to exploit the derivative work ends before the end of the license term. This can occur under section 203 of the 1976 Act, which gives authors and their statutory successors the nonwaivable right to terminate earlier transfers any time during a five-year period after the expiration of thirty-five years from the execution of the grant.<sup>118</sup> It can also occur under the renewal scheme of the 1909 Act which vests the author with the right to renew the copyright term free of previous licenses.<sup>119</sup> Under the scheme of the 1909 Act, the author may, at the time he or she executes the license for the first copyright term, give the licensee rights to the renewal term as well. But the license for the renewal term will be enforceable only if the author is alive at the time the initial term expires; if the author expires before the initial term, the renewal right vests in his statutory successors free of any transfers that the author may have made. One problem that these provisions pose, particularly for producers of derivative works such as motion pictures, is that to continue exploiting the derivative work after expiration of the initial term under the 1909 Act, or termination of transfer under the 1976 Act, the producer must come to terms with the author or the author's successors at a price that will doubtless give them some value—actors, production, and marketing costs—contributed solely by the producer. Another problem is that, because termination affects only copyrights, not unfair competition or trademark rights, considerable doubt will exist about the ownership of rights in characters and other elements that may be subject to both regimes of protection.

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<sup>118</sup> 17 U.S.C. § 203.

<sup>119</sup> Act of March 4, 1909, § 24, 60th Cong., 2d Sess. Section 304(a) of the 1976 Act perpetuates the 1909 Act's renewal scheme for works in their first copyright term before January 1, 1978, retaining the previous 28-year copyright term, allowing renewal, but changing the renewal term from the previous 28-year term to 47 years, thus effectively creating a total term of 75 years. For works already in their renewal term on January 1, 1978, section 304(b) automatically extends the renewal term to 75 years from the date copyright was first secured. Section 304(c) parallels section 203, effectively providing that in "the case of either a first-term or renewal copyright already subsisting when the new statute becomes effective, any grant of rights covering the renewal copyright in the work, executed before the effective date, may be terminated under conditions and limitations similar to those provided in Section 203." H.R. Rep. No. 14-1476, 94th Cong., 2d Sess. 140 (1976).

### 1. *Renewal Under the 1909 Act.*

The Second Circuit Court of Appeals sought to resolve one set of problems raised by premature termination in *Rohauer v. Killiam Shows, Inc.*<sup>120</sup> involving the renewal provisions of the 1909 Act. Defendant's predecessor had produced and copyrighted a motion picture, *The Son of the Sheik*, under license from the author of the copyrighted novel, *The Sons of the Sheik*. In the license, the novel's author agreed to renew or procure the renewal of the copyrights in the novel and to assign them to the motion picture producer. The author died before the expiration of the copyright's first term; the copyright was renewed in the name of plaintiff, the author's statutory successor; and plaintiff assigned all motion picture rights to Rohauer. Defendant's exhibition of the motion picture without license from the plaintiff precipitated the suit.

Recognizing that the issue was not an easy one, the court of appeals overturned the district court's decision for plaintiff and held that defendant was free to continue exhibiting its work and to create new copies, but not new versions, for exhibition purposes. The district court had rested its decision on a strict interpretation of the rule that all licensed rights end upon the expiration of the original copyright term unless the surviving author, or the author's successor, had previously agreed to assign the renewal rights.<sup>121</sup> The court of appeals took a deeper view into the plight of the derivative user. The court was particularly persuaded by the facts that

"the purchaser of derivative rights has no truly effective way to protect himself against the eventuality of the author's death before the renewal period since there is no way of telling who will be the surviving widow, children, or next of kin, or the executor until that day arrives,"

and that "independently copyrightable contributions will have been made by the transferee."<sup>122</sup>

*Rohauer* has been criticized for departing from well-established renewal rules.<sup>123</sup> The criticism is technically correct. Yet, it is also clear that the decision serves the policies behind the Act's derivative rights pro-

<sup>120</sup> 551 F.2d 484, *cert. denied*, 431 U.S. 949 (1977).

<sup>121</sup> 379 F. Supp. 723 (S.D.N.Y. 1974).

<sup>122</sup> 551 F.2d 493.

<sup>123</sup> See 1 M. NIMMER, COPYRIGHT § 3.07 [A] (1981).

For a more detailed analysis of *Rohauer*, see Jaszi, *When Works Collide: Derivative Motion Pictures, Underlying Rights, and the Public Interest*, 28 U.C.L.A. L. REV. 715 (1981).



visions to a greater extent than it deserves the policies behind the renewal provisions, protecting the motion picture producer's investment in the independent, copyrighted contributions that it made to the underlying work, without materially injuring the value of the underlying work to the statutory successor.<sup>124</sup> The court can more properly be faulted for not taking an alternative approach that would have recognized the successor's exclusive right to license motion pictures and, at the same time, would have permitted the defendant to continue its exhibition: finding infringement and awarding damages but withholding the injunction as inequitable in light of the defendant's substantial independent contributions to the work, or alternatively, awarding the injunction on the condition that plaintiff pay defendant the costs of complying with the injunction.<sup>125</sup>

## 2. Termination Under the 1976 Act.

The 1976 Act strikes a balance similar to the one reached in *Rohauer* by carving an exception in favor of derivative works out of the general right to terminate:

"A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant."<sup>126</sup>

The language of the derivative works exception leaves many important questions unanswered. What is meant by "utilized"? Is a motion

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<sup>124</sup> The effect of the decision was to give the proprietor of the underlying work the ability to sell only a nonexclusive, rather than an exclusive, license to exhibit motion pictures based on a novel. The proprietor could convey the exclusive right to create a new motion picture based on a novel since the court's decision did not allow the motion picture licensee to make a new version.

<sup>125</sup> See *supra* text accompanying notes 94–95.

<sup>126</sup> See 17 U.S.C. § 203(b)(1). Thus, according to the House Report, "a film made from a play could continue to be licensed for performance after the motion picture contract had been terminated but any remake rights covered by the contract would be cut off. For this purpose, a motion picture would be considered as a 'derivative work' with respect to every 'preexisting work' incorporated in it, whether the preexisting work was created independently or was prepared expressly for the motion picture." H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 127 (1976).

picture producer to be limited to prints on hand, or will it be free to make new copies for exhibition purposes? *Rohauer's* affirmative answer under the 1909 Act makes equally good sense under the 1976 Act since this is the only way that producers can secure the value of their independent contributions over the full copyright term. For the same reason, if the derivative work is a translation, the publisher should be free to order new printings and not be limited to inventory on hand at the time of termination. Should the motion picture proprietor be free to edit its film to meet the changing time, format commercial, and censorship requirements of television, or will this constitute the "preparation of other derivative works"? Again, the producer's independent contributions would appear to justify an affirmative answer. What of the right to make a sequel that, at least arguably, employs only copyrighted elements contributed by the motion picture producer and uncopyrightable elements such as character names and title? At this point we can expect practical considerations to overtake nice technical distinctions.<sup>127</sup>

Another, more vexing problem stems from section 203(b)(5)'s provision that termination will affect "only those rights covered by the grant that arise under this title, and in no way affect rights arising under any other federal, state or foreign laws," and from the fact that a single work will often contain expressive elements, properly protected by copyright, that overlap merchandising elements, properly protected under unfair competition law. What rights "arise under this title," and what rights arise under other federal and state laws such as trademark and unfair competition? A typical sale of the motion picture rights to a novel or story will involve the transfer not only of the specific derivative rights in the work, but also the exclusive rights to use the work's title and characters in the motion picture, to make sequels, and to license the production and sale of related merchandise.<sup>128</sup> While the copyright re-

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<sup>127</sup> The real problem, of course, is not with the derivative works exception, but with the termination rule itself. The termination provisions were enacted in the belief that authors lack sufficient bargaining power to obtain a fair deal at the time they sign publishing or other production agreements, "resulting in part from the impossibility of determining a work's value until it has been exploited." H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 124 (1976). Yet, by disabling authors and producers from making agreements that efficiently allocate the risks and rewards of production over the full copyright term, the termination rule inevitably harms both groups, giving both less than they would likely receive if they were free to choose. This suggests that, as courts begin to resolve these ambiguities, they should have no reason to favor authors or publishers, but every reason to favor a clear rule upon which both sides can confidently rest their plans.

<sup>128</sup> Standard forms of agreement used by motion picture producers in acquiring the rights to a literary property will often include a specific grant of all

verts to the author on termination, the right to use the title, and probably the merchandising rights, will stay with the grantee under unfair competition or trademark theory. The right to use motion picture characters in sequels will pose the hardest questions, for each character will probably derive some copyrighted elements from the original work, and each will undoubtedly have acquired substantial copyright protection of its own in the context of the derivative work as well as protection under unfair competition and trademark law.

One observer has suggested that, to avoid these difficulties,

“good draftsmanship dictates the insertion into a rights agreement of a broad reversionary clause conditioning the vitality of all granted rights *other than* those arising under the Copyright Act upon the continued ownership of the rights arising under copyright in the purchaser.”<sup>129</sup>

This is a nice idea, but it just won't do. There is no reason to believe that producers, whose perceived, excessive bargaining power was the occasion for enacting the termination provisions, will agree to a complete reversion when they have every strategic reason to hold on to the few exclusive rights that they can. The effect of the termination provisions is that, at termination time, each side will have a stranglehold on the other: The producer cannot continue to exploit its motion picture unless it comes to terms with the author for use of the copyrighted elements, and the author cannot effectively transfer its motion picture rights to another producer unless it comes to terms with the first producer for use of the title, characters and related marketing rights. The likely outcome is a new license between the author and the first producer on

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motion picture rights, including silent, sound, musical, television, and dramatic rights, with the exception of live stage rights; the right to adapt the work; to translate the motion picture version of the work; to advertise and exploit the motion picture in all media, including the right to synopsise the motion picture version; rights to remakes, reissues and sequels; recording rights, including the right to make commercial phonograph records and tapes; live television rights; novelization rights to the original screenplay and to motion picture sequels, and other publication rights including comic strips and books; the right to use the title of the work; merchandising rights in characters; and commercial tie-ups, television series rights and character rights for television series and sequels, and subscription television rights.

See generally Klein, *Subsidiary Rights and Residuals in Motion Pictures*, in J. TAUBMAN, ED., *SUBSIDIARY RIGHTS AND RESIDUALS* 33 (1968); P. BAUMGARTEN & D. FARBER, *PRODUCING, FINANCING, AND DISTRIBUTING FILM* 1-18 (1973).

<sup>129</sup> Stein, *Termination of Transfers and Licenses under the New Copyright Act: Thorny Problems for the Copyright Bar*, 24 U.C.L.A. L. REV. 1141, 1162-1163 (1977).

terms more favorable to the producer than it would have otherwise received.

### III. CONCLUSION

Since 1870, when the rights to translate and to dramatize were first introduced into the Copyright Act, derivative rights and derivative works have acquired an important and independent place in copyright law and the copyright industries. Yet, despite this growing commitment, Congress and the courts have taken few steps to accommodate copyright doctrines shaped in the crucible of copies to the special needs of derivative rights and derivative works. The idea-expression distinction, a tool that is at best difficult when applied to copies, has been entirely distorted in its application to derivative uses. Standard rules on utilitarian and fair uses have in this arena improperly shrunk the copyright incentive, and rules on remedies have improperly expanded it. The originality requirement, as applied to derivative works, is occasionally more stringent than necessary, as is section 103(a)'s noninfringement requirement. Section 203(b)(1)'s qualified exclusion of derivative works from the statute's general right to terminate copyright transfers represents a useful first step toward the needed accommodation of derivative uses to the general workings of the statute.

More explicit and systematic attention to the economics of copyright's incentive system will produce better legislative and judicial decisions on derivative rights and derivative works. As has been shown, copyright incentives are not intended—or needed—to encourage the production of publicity values like those that were protected in the *Film-video* case; the task is better left to unfair competition and trademark law. At the same time, copyright incentives *are* needed to encourage the production of designs and parodies like those involved in *Jack Adelman* and *Showcase Atlanta*; to excuse those infringements as utilitarian and fair uses will improperly curtail the intended scope of derivative rights. Cases like *Sheldon v. M.G.M.* offer a sharp reminder of the need for courts to dispense remedies in a way that balances the incentives required for the production of underlying works against those required for the production of derivative works. These examples are intended only to suggest a larger point: that in reaching decisions affecting derivative rights and derivative works, courts and the Congress should attend more closely to copyright's incentive system and to the system's special implications for this growing corner of copyright law.

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