

# Miss Scarlett's License Done Gone!: Parody, Satire, and Economic Reasoning

Michael A. Einhorn, Ph.D.

## Introduction

On October 10, 2001, the Eleventh Circuit handed down a decision, *SunTrust v. Houghton Mifflin*,<sup>1</sup> which addressed an infringement claim to a new novel that opposing parties argued was either a parody of historical fiction or a licensable sequel to an existing work. The matter involved an unauthorized sequel to the classic, *Gone with the Wind*, which had previously spawned a substantial licensing market for derivative works and commercial items. The new author, Alice Randall, appropriated considerable parts of the original book, including core characters, traits, relationships, scenes, plot elements, dialogues, and descriptions.<sup>2</sup> Her publisher, Houghton Mifflin, portrayed the book, entitled *The Wind Done Gone*, as a critique of the original's depiction of slavery in the ante-Bellum South and a protected parody under the fair use doctrine. Based on definitions of parody and satire, and considerations of market substitution, excessive borrowing, and "conjuring up", the Circuit Court entered an opinion that reversed the District Court<sup>3</sup> and upheld the publisher claim.<sup>4</sup>

The reality behind the legal theater is stark. The judges in the two Courts had to choose between enjoining free expression or taking copyright protection from a creative work without payment. More generally, if the infringing work is not a fair use, "we usually enjoin it out of existence."<sup>5</sup> If it is a fair use, "the work gets published and the copyright owner gets to pay the attorney's fees."<sup>6</sup> However nuanced the fair use doctrine may appear, "all it can do is choose between these two blunt responses."<sup>7</sup>

This outcome is partially the result of a failure to understand the relation between property rights and the procedures and institutions that enable market exchange. While

---

<sup>1</sup>Infra note 109.

<sup>2</sup>Id., 1259.

<sup>3</sup>Infra note 105.

<sup>4</sup>Infra note 109.

<sup>5</sup>A. Kozinski and C. Newman, What's So Fair about Fair Use? 47 J. COPYR. SOC'Y 513, 525 (2000).

<sup>6</sup>Id.

<sup>7</sup>Id.

markets are generally praised for their ability to move goods and services to highest valued uses, markets are not states of being with fixed characteristics. Rather, they are evolving systems that frequently attract the entry of new players, the exit of incumbents, and modifications in their way of facilitating exchange. How well they do this is frequently the product of legal institutions that establish rights and enable exchange through a price system that can be decentralized or loosely administered. Whether this evolves in the first place is a decision that often requires some judicial or legislative will.

## **Fair Use and Transactions Costs**

Since its enactment in 1978, Section 106 of the Copyright Act<sup>8</sup> granted to the owner of a copyright the exclusive right to reproduce the copyrighted work, to prepare derivatives, to distribute copies by sale or rental, to perform the work publicly, and to display the work publicly.<sup>9</sup> The purpose of copyright is clear; “by establishing a *marketable right* to the use of one’s expression, copyright supplies the economic incentive to create and disseminate ideas” [emphasis mine],<sup>10</sup> thereby rewarding to the individual creator incentives to produce material that would benefit the public-at-large.<sup>11</sup>

Congress specified a number of restrictions throughout Sections 107-122 that have exempted certain uses from copyright protection.<sup>12</sup> Section 107 established the doctrine of fair use,<sup>13</sup> which provided the “privilege in other than the owner of a copyright to use the copyrighted material in a reasonable manner without his consent, notwithstanding the monopoly granted to the owner.”<sup>14</sup> The four factors to be considered in determining fair use are:

1. The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.<sup>15</sup>

---

<sup>8</sup> Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541.

<sup>9</sup>17 U.S.C. 106(1)-(5). A sixth right, the right to publicly perform the contents of sound recordings on digital audio transmissions, was added in 1995. Digital Performance Rights in Sound Recordings Act of 1995, Pub.L. No. 104-39, 109 Stat.536; At 17 U.S.C. 106(6).

<sup>10</sup> Harper & Row Publishers, Inc. v. Nation Enters., Inc., 471 U.S. 539, 558, 105 S. Ct. 2218, 2229 (1985).

<sup>11</sup> Id., at 546, 2223.

<sup>12</sup> 17 U.S.C. 107-122

<sup>13</sup> 17 U.S.C. 107.

<sup>14</sup>Rosemont Enterprises Inc. v. Random House Inc., 366 F. 2d 303, 306 (2d Cir. 1966), cert. denied, 385 U.S. 1009, 87 S.Ct. 714, 17 L. Ed. 2d 546 (1967).

<sup>15</sup>See also Marcus v. Rowley, 695 F. 2d 1171, 1175 (9<sup>th</sup> Cir. 1983).

2. The nature of the copyrighted work.<sup>16</sup>
3. The amount and substantiality of the portion used in relation to the copyrighted work as a whole.<sup>17</sup>
4. The effect of the use upon the potential market for or value of the copyrighted work.

In fair use, claims should be “judged on the totality of the facts in the particular case by balancing all the factors.”<sup>18</sup> Indeed, courts must “avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.”<sup>19</sup>

The first and fourth criteria of the fair use provisions implicate microeconomic analysis. Regarding the first, the key matter of character concerns whether the use is transformative. To be transformative, a taking must not repackage, republish, or otherwise “merely supersede the objects of the original creation”.<sup>20</sup> Rather, the secondary use must add “new information, new aesthetics, new insights, and understandings” with a further purpose or different character.<sup>21</sup> Once considered most important, the fourth criterion (market harm) has now arguably been reduced closer to parity with the other three.<sup>22</sup> Courts should consider traditional, reasonable, or likely to

---

<sup>16</sup>The scope of fair use is more limited with respect to non-factual works than factual works; the former necessarily involves more originality and creativity than the reporting of facts. *New Era Publications v. Carol Publishing Group*, 904 F. 2d at 157. Factual works are believed to have a greater public value and unauthorized uses of them are more readily tolerated by copyright law. *Salinger v. Random House, Inc.* 811 F. 2d at 96.

<sup>17</sup> Generally, “the larger the volume (or the greater the importance) of what is taken, the ... less likely that a taking will qualify as a fair use.” P.N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1122. However, “there are no absolute rules as to how much of a copyrighted work may be copied and still be considered a fair use.” *Maxtone Graham v. Burtchell*, 803 F. 2d 1253 (2d Cir.), cert. denied, 481 U.S. 1059, 107 S. Ct. 2201, 95 L. Ed. 2d 856 (1987). This factor then considers not only the percentage of the original used but the substantiality of the portion used. *New Era Publications*, supra note 16, 904 F. 2d at 158

<sup>18</sup> H.R. Rep. No. 102-836, 102d Cong., 2d Sess. 3 (1992).

<sup>19</sup> *Stewart v. Abend*, 495 U.S. 207, 236 (1990). Courts are more willing to find fair use when the application benefits the broader public interest. *Twin Peaks*, 996 F. 2d at 1375; *Sega Enterprises*, 977 F. 2d at 1523; *Rosemont*, supra note 14, 366 F. 2d 303, 307-09 (2d Cir. 1966).

<sup>20</sup> *Folsom v. Marsh*, 9 F. Cas. 342, 345 (C.C.D. Mass. 1841) (No 4901).

<sup>21</sup> Leval, supra note 17, at 1111. Indeed, “the more transformative the new work, the less will be the significance of other factors, like commercialism, that weigh against a finding of fair use.” *Campbell*, infra note 75, 510 U.S. at 579, 114 S.Ct. at 1171.

<sup>22</sup> *Campbell*, infra note 74, at 577. “All are to be explored, and the results weighted together, in light of the purposes of copyright.” Leval 1110-1111; W. Patry and S. Perlmutter, “Fair Use Misconstrued: Profit, Presumptions, and Parody”, 11 *CARDOZO ARTS & ENT. L. J.* 667, 685-7 (1993).

be developed markets in assessing the effect of a secondary use upon the potential market for or value of the copyrighted work.<sup>23</sup>

Legal justifications for fair use have varied over time. Once grounded in free speech protections and user needs for re-expression,<sup>24</sup> judgments on fair use now often focus on market failures that can be implicated when parties try to exchange rights through bilateral transaction. Two academic articles contributed to this transformation of outlook in American law. When negotiations are costless, wrote Nobel Laureate R.H. Coase in 1960,<sup>25</sup> unregulated contestants could be trusted to efficiently resolve disputes through bilateral bargaining without need for court involvement.<sup>26</sup> However, the ability of the market to produce desirable transactions is diminished when negotiation is costly, or when benefits or harms may affect a wide group of third parties who are not represented in the immediate negotiation by buyer and seller.

When exchange benefits (or externalities) may redound to third parties or the public-at-large, economists speak of the outcome as an example of market failure because these additional benefits of exchange are generally ignored by the buyer and seller. Under market failure, both courts and statutes may at times define relevant property rights in order to accommodate exchange. These appointments would primarily include who may own, who may use, and what may be traded in an expedited market. More specifically, Courts may facilitate transfer by establishing fees that reflect the costs and values of contested property rights, or market benchmarks that are based on reasonable considerations in adjacent markets. They may also establish the rules under which enabling institutions operate. Facilitating outcomes with liability rules would contrast with a pure free exchange solution that would be efficient if the costs of representation were lower.<sup>27</sup>

The idea of market failure crashed the copyright party in 1982, when Wendy Gordon related the concept to the application of fair use in a copyright defense. In a seminal article, Prof. Gordon argued that:

---

<sup>23</sup> Texaco, *infra* note 41. Furthermore, “to negate fair use, one need only show that if the challenged use ‘should become widespread, it would adversely affect the potential market for the copyrighted work’.” Harper and Row, *supra* note 10, 471 U.S. at 568, 105 S. Ct. at 2234, quoting Sony Corp v. Universal City Studios, 464 U.S. 417, 451, 104, S. Ct. 774, 793.

<sup>24</sup>Y. Benkler, “Free As the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain,” 74 N.Y.U. L. REV. 354 (1999).

<sup>25</sup> R.H.Coase, “The Problem of Social Costs”, 3 J. OF L. AND ECON. 1 (1960).

<sup>26</sup> The underlying theory being that the owner of the more valued right may capture the use privilege by compensating the other party for her loss, while having enough left over for himself.

<sup>27</sup> The distinction between property and liability rules first appears in G. Calabresi and D. Melamed, “Property Rules, Liability Rules, and Inalienability: One View of the Cathedral”, 85 HARV. L. REV. 1089 (1972).

“An economic justification for depriving a copyright owner of this market entitlement exists only when the possibility of consensual bargain has broken down in some way. Only where the desired transfer of resource use is unlikely to take place spontaneously, or where special circumstances such as market flaws impair the market’s ordinary ability to serve as a measure of how resources should be allocated, is there an economic need for allowing nonconsensual transfer. Thus, one of the necessary preconditions for premising fair use on economic grounds is that market failure must be present.”<sup>28</sup>

In addition to bargaining difficulties,<sup>29</sup> Gordon relates market failure to externalities<sup>30</sup> and the inability of bilateral exchange sometimes to account appropriately for social values related to the common good.<sup>31</sup>

The insights of Coase and Gordon advance in the “new institutional economics” of Robert Merges,<sup>32</sup> who further understands the connection between property rights and market institutions. When transactions costs are high, clearly defined property rights may be a key factor in drawing in new participants and stabilizing their subsequent operation; private and quasi-public institutions may then emerge and evolve to facilitate new forms

---

<sup>28</sup>W. J. Gordon, “Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and Its Predecessors”, 82 COL. L. REV. 1600 (1982). The author continues: “Only where the desired transfer of resource use is unlikely to take place spontaneously, or where special circumstances such as market flaws impair the market’s ordinary ability to serve as a measure of how resources should be allocated, is there an economic need for allowing nonconsensual transfer.” At 1615. A similar point is made by W. M. Landes and R. A. Posner, “An Economic Analysis of Copyright Law”, 18 J. OF LEG. STUD. 325, 357 (1989).

<sup>29</sup>Id., 1628-30.

<sup>30</sup>Id., 1630-2. “In cases of externalities, the potential user may wish to produce socially meritorious new works by using some of the copyright owner’s material, yet be unable to purchase permission because the market structure prevents him from being able to capitalize on the benefits to be realized.” At 1631.

<sup>31</sup>Id., 1631. “Distrust of the market may also be triggered when defendant’s activities involve social values that are not easily monetized. When defendant’s use contributes something of importance to public knowledge, political debate, or human health, it may be difficult to state the social worth of that contribution as a dollar figure.”

<sup>32</sup>R. P. Merges, “Contracting into Liability Rules: Intellectual Property Rights and Collective Rights Organizations”, 84 CALIF. L. REV. 1293, 1326 (1996). More generally, see D. C. North, INSTITUTIONS, INSTITUTIONAL CHANGE, AND ECONOMIC PERFORMANCE (1990), A. T. Eggertson, ECONOMIC BEHAVIOR AND INSTITUTIONS (1990), E. Ostrom, GOVERNING THE COMMONS: THE EVOLUTION OF INSTITUTIONS FOR COLLECTIVE ACTION (1990), W. W. Powell and P.I. Dimaggio, eds., THE NEW INSTITUTIONALISM IN ORGANIZATIONAL ANALYSIS (1991), R. C. Ellickson, ORDER WITHOUT LAW: HOW NEIGHBORS SETTLE DISPUTES (1991). R. D. Cooter, “Structural Adjudication and the New Law Merchant: A Model of Decentralized Law”, 14 INTERNATIONAL REVIEW OF LAW AND ECONOMICS 215 (1994).

of exchange. To compensate right owners, licensing agencies (which may include copyright collectives, rights clearance organizations, and “one stops”<sup>33</sup>) negotiate contracts, monitor use, and collect royalties for a multitude of uses.

However, if players are to be attracted to form agencies and other institutional safeguards that would accommodate licensing, clear and marketable property rights, *ab initio*, must be established. “To persuade users to proceed through the device, copyright owners might well need a judicial declaration that the uncompensated use, previously minor and left unfettered, constituted an infringement of copyright.”<sup>34</sup> In this representation, fair use, if too broadly applied, could sap the incentive to develop the requisite market institutions that might otherwise reduce transactions costs.<sup>35</sup> If transactions are not facilitated, reproduction and performance rights themselves may be misappropriated or mired in a swamp of negotiations. Or disputes could be left to the continued jurisdiction of Courts to rehash in “all or nothing” hearings that implicate the choice of injunctions and fair use.

### **Helping Markets Work: *American Geophysical Union v. Texaco Inc.***

A strong defense of market forces in copyright law appeared in 1995 in the Second Circuit decision, *American Geophysical Union v. Texaco Inc.*<sup>36</sup> Plaintiffs and 82 other publishers of scientific journals brought a class action suit against Texaco, whose 400 to 500 scientists had routinely engaged in unauthorized photocopying of copyrighted journals during professional research. Texaco claimed that photocopying for scientific purposes was fair use. Judge Pierre Leval in the District Court disagreed,<sup>37</sup> and the Circuit Court upheld his decision.<sup>38</sup>

Based on the monitored activities of a stipulated researcher, the Circuit Court held that copying at Texaco was often used to provide each scientist with her own personal copies of articles without her needing to buy multiple subscriptions to particular scientific journals.<sup>39</sup> Adopting the District Court’s reasoning, the Circuit Court held that

---

<sup>33</sup>Copyright collectives negotiate contracts on behalf of their rights holders. Rights clearance centers grant licenses based on individual terms specified by the owner. “One-stop-shops” are a coalition of separate collective management organizations which offer a centralized source for a number of related rights that would be particularly useful in multimedia production. At [http://www.wipo.org/about-ip/en/about\\_collective\\_mngt.html](http://www.wipo.org/about-ip/en/about_collective_mngt.html). (visited June 26, 2001).

<sup>34</sup>Gordon, *supra* note 28, 1621.

<sup>35</sup>Landes and Posner, *supra* note 28, 358.

<sup>36</sup>*American Geophysical Union v. Texaco Inc.*, 60 F. 3d 913 (2d. Cir. 1995).

<sup>37</sup>802 F. Supp. 1 (S.D.N.Y. 1992).

<sup>38</sup>*Supra* note 36.

<sup>39</sup>*Id.*, 919.

photocopying at Texaco was merely superseding and not sufficiently transformative.<sup>40</sup> Texaco's uses then failed the crucial first criterion for fair use that had been established in Section 107.

The higher court also adopted the District Court's concept of market harm. Copying of articles admittedly had ambiguous effects in possibly stimulating or displacing subscriptions to the affected journal<sup>41</sup> and "there is neither a traditional market or clearly defined market value for individual articles."<sup>42</sup> Grasping the dynamic implications for market institutions, "this distinctive arrangement raises novel questions concerning the significance of the publishers' establishment of an innovative licensing scheme for the photocopying of individual journal articles."<sup>43</sup>

However, "as a general matter, a copyright holder is entitled to demand a royalty for licensing others to use its copyrighted work ... and the impact on potential licensing revenues is a proper subject for consideration in assessing the fourth factor."<sup>44</sup> In this regard, the economic impact of the plaintiff's *loss of an opportunity* to sell rights to a derivative work is distinguished from a *market substitution* that directly competes with the original.<sup>45</sup> The District Court listed the licensing procedures that could be used to obtain authorization and compensate publishers: direct publisher licensing, document delivery, and licenses obtained from the Copyright Clearance Center.<sup>46</sup>

The decision recognizes how market institutions can be designed to facilitate the transfer of rights when transaction costs are high or market exchange is otherwise difficult. That is, the publishers "have created, primarily through the Copyright Clearance Center, a workable market for institutional users to obtain licenses for the right to produce their own copies of individual articles via photocopying."<sup>47</sup> "Whatever the situation may have been previously, before the development of a market for institutional users to obtain licenses to photocopy articles, it is now appropriate to consider the loss of

---

<sup>40</sup>Id.; citing *Campbell*, infra note 74, at 1171

<sup>41</sup> Id., 928; see also 802 F. Supp. at 19

<sup>42</sup> Id.

<sup>43</sup> Id.

<sup>44</sup>Id.; citing *Campbell*, infra note 74, at 1178, *Harper and Row*, supra note 10, at 568-69; *Twin Peaks*, supra note 18, at 1377; *D.C. Comics Inc. v. Reel Fantasy Inc.*, 696 F. 2d 24, 28 (2d Cir. 1982); *United Telephone Co. of Missouri v. Johnson Publishing Co., Inc.* 855 F. 2d 604, 610 (8<sup>th</sup> Cir. 1988); see also *Patry and Perlmutter*, supra note 22, 687.

<sup>45</sup>*Harper & Row*, supra note 10, at 568; *Salinger v. Random House, Inc.*, supra note 18 (2d Cir. 1987).

<sup>46</sup> 802 F. Supp. at 19

<sup>47</sup>Supra note 36, 930.

licensing revenues in evaluating the effect of the use upon the potential market for or value of journal articles.”<sup>48</sup>

The *Texaco* decision here should be contrasted with *Williams and Wilkins v. U.S.*,<sup>49</sup> which held in 1973 that photocopying by the defendants National Institute of Health and National Library of Medicine was fair use because it was unclear “whether a ... clearinghouse system can be developed without legislation, and if so whether it would be desirable.”<sup>50</sup> Chief Judge Cowen here presented a noteworthy dissent, arguing instead that a plaintiff award “may very well lead to a satisfactory agreement between the parties for a continuation of the photocopying by the defendant upon payment of a reasonable royalty to plaintiff.”<sup>51</sup> Cowen argued that the majority opinion premised its conclusion on the assumption that key medical uses of photocopying would otherwise cease entirely or face a high risk that no market institution would evolve to disseminate the copyrighted works.<sup>52</sup>

The *Texaco* Court would have agreed with Cowen that facilitating market institutions may emerge when Congress and the Courts move to affirm adjacent property rights. The court suggests that the emergence of the CCC may be due to Congress, which had suggested that an efficient mechanism be necessarily established for licensing in the photocopying market.<sup>53</sup> Now upheld by Courts, the continuing success and adaptability of the CCC, and other licensing agencies, to accommodate exchange is considerable.

The CCC, which continues to provide blanket licenses that provide unlimited rights to text reproductions, now offers transactional services for its catalog of 1.75 million text works.<sup>54</sup> The Center, which has licensed academic course packs since 1991, has accommodated electronic course packs since 1997.<sup>55</sup> Moving out further,

---

<sup>48</sup>Supra note 36.

<sup>49</sup>487 F. 2d 1345 (Ct. Cl. 1973).

<sup>50</sup>Id., at 1360-61. The majority declined to consider author willingness to license and doubted if a clearinghouse system could be developed without legislation. It further questioned whether it would be desirable in the first place. At 1360, n. 24.

<sup>51</sup>Id., at 1372 (C.J. Cowen dissenting).

<sup>52</sup>Id., at 1371. “The court ... concludes that a judgment for plaintiff would lead to [the end of photocopying at the medical libraries]. It is not altogether clear to me how the court arrives at the second conclusion, and I think it is based on unwarranted assumptions.” At 1371. see also Gordon, supra note 28, 1650.

<sup>53</sup> S. Rep. No. 983, 93d Cong., 2d Sess. 122 (1974); S. Rep. No. 473, 94<sup>th</sup> Cong., 1<sup>st</sup> Sess. 70-71 (1975); H.R. Rep. No. 83, 90<sup>th</sup> Cong., 1<sup>st</sup> Sess. 33 (1968).

<sup>54</sup> [http://www.copyright.com/News/AboutNewsReleases2001Apr9\\_RL.asp](http://www.copyright.com/News/AboutNewsReleases2001Apr9_RL.asp) (visited June 16, 2001).

<sup>55</sup>Copyright Clearance Center, Comments, Promotion of Distance Education through Digital Technologies, U.S. Copyright Office, Docket No. 98-12A, February 5, 1999.



Rightsline.com began in June, 2001 to offer one-stop online licensing to 1160 diverse members of the International Licensing Industry Merchandisers' Association, including a wide range of properties in film, music, sports, and publications.<sup>56</sup> The Media Image Resource Alliance now provides on-line access to licenses for over 60,000 photographs, while Info2clear in Europe provides online licensing for text reproductions that may eventually implicate choice of language.<sup>57</sup> At the LIBLICENSE web site, university librarians can propose online contract modifications that may meet specific user needs.<sup>58</sup> Courts, which did not mandate the creation of any of these institutions, nonetheless had a role in the outcome by upholding rights that others could more usefully adapt.

### **Helping Markets Fail: *Campbell v. Acuff-Rose Music, Inc.***

A contrasting understanding of market dynamics would appear in parody cases, where Courts at times have upheld the rights of parodists to take from copyrighted material without compensating copyright owners. This culminated in the Supreme Court decision, *Campbell v. Acuff-Rose Music, Inc.*<sup>59</sup>

In an early 1956 decision, *Benny v. Loew's Inc.*, the Ninth Circuit held that “a parodied or burlesqued taking was to be treated no differently from any other infringement.”<sup>60</sup> Particularly critical comments regarding the matter appeared in the 1963 case, *Berlin v. E.C. Publications, Inc.*;<sup>61</sup> “we believe that parody and satire are deserving of substantial freedom – both as entertainment and as a form of social and literary criticism.”<sup>62</sup> Accordingly, in legislative notes accompanying the Copyright Act of

---

<sup>56</sup><http://www.rightsline.com/facts.htm> (visited June 16, 2001).

<sup>57</sup> <http://www.info2clear.com> (visited June 16, 2001).

<sup>58</sup> <http://www.library.yale.edu/~llicense/index.shtml> (visited June 26, 2001) .

<sup>59</sup> *Campbell*, *infra* note 74.

<sup>60</sup> 239 F. 2d 532, 537 (9<sup>th</sup> Cir. 1956), *aff'd* by an equally divided court, 356 U.S. 43, 78 S. Ct. 667, 2 L. Ed. 583 (1958). Jack Benny performed a burlesque of the Ingrid Bergman movie “Gaslight” that borrowed extensively from the original without setting out to ridicule it. The Circuit Court decision affirmed *Loew's Inc. v. Columbia Broadcasting System*, 131 F. Supp. 165 (S.D. Ca. 1955). But takings for burlesque can be used if limited to items that cannot be copyrighted; see *Columbia Pictures Corp. v. National Broadcasting Co.* 137 F. Supp. 348, 353 (S.D. Ca. 1955).

<sup>61</sup> 329 F. 2d 57 (2d Cir. 1964) (listing critiques), *cert. denied*, 379 U.S. 822, 85 S. Ct. 46, 13 L.Ed. 2d 33 (1964). Irving Berlin unsuccessfully sued the publishers of *Mad Magazine* for printing fictional lyrics to the melodies of famous Berlin songs. “It is clear that the parody has neither the intent nor the effect of fulfilling the original, and where the parodist does not appropriate a greater amount of the original work that is necessary to ‘recall or conjure up’ the object of a satire, a finding of infringement would be improper.” At 58

<sup>62</sup> *Id.*, 58.

1976, Congress listed parody as an example “of the sort of activities the courts might regard as fair use.”<sup>63</sup>

The Ninth Circuit subsequently held that parody is a potential fair use subject to the four part test of Section 107.<sup>64</sup> However, “a humorous or satiric work deserves protection under the fair use doctrine *only if* the copied work is at least partly the target of the work in question [emphasis mine]”<sup>65</sup>; there is otherwise no need to “conjure up”<sup>66</sup> the original in order to borrow from it.<sup>67</sup> However, a parody does not immediately qualify for fair use; rather, the parody is judged appropriately by the four criteria of Section 107.

In *Elsmere v. National Broadcasting Co.*,<sup>68</sup> fair use was granted to a parody of “I Love New York”, entitled “I Love Sodom”, which was used in connection with a televised skit that poked fun at ads for New York State tourism. While parody must take enough to conjure up a recognition of the original, the Court now made explicit room for a non-minimal taking:

“Parody frequently needs to be more than a fleeting evocation of an original in order to make its humorous point ... Even more extensive use [than necessary to conjure up the original] would still be fair use, provided the parody [contributes] something new for humorous effect or commentary.”<sup>69</sup>

The issue reappeared in 1986 in a Ninth Circuit decision, *Fisher v. Dees*.<sup>70</sup> The case involved a parody of the song “When Sonny Gets Blue”, entitled “When Sonny Sniffs Glue”. The parody ran for 29 seconds and captured the main theme of the original by copying the first six of its 38 bars. The Circuit Court held that the parody qualified for fair use.

---

<sup>63</sup>Supra note 8; historical and revision notes (1982).

<sup>64</sup>Walt Disney Productions v. Air Pirates, 581 F. 2d 751, 758` (9<sup>th</sup> Cir. 1978), cert. denied, 439 U.S. 1132, 59 L.Ed. 2d 94, 99 S. Ct. 1054 (1979).

<sup>65</sup> Id., 758.

<sup>66</sup> Supra note 61.

<sup>67</sup>MCA, Inc. v. Wilson, 677 F. 2d 180, 185 (2d Cir. 1981).

<sup>68</sup>Elsmere Music Inc. v. National Broadcasting Company, 482 F. Supp. 741 (SDNY), aff'd 623 F. 2d 252 (CA2 1980).

<sup>69</sup>Id., 623 F. 2d at 253, n. 1

<sup>70</sup> Marvin Fisher and Jack Segal v. Rick Dees, et al., 794 F. 2d 432 (9<sup>th</sup> Cir. 1986).

The judge's decision in *Fisher v. Dees* focused on the market failure that seems inherent in licensing a parody that ridicules an original. "Parodists will seldom get permission from those whose works are parodied ... even in exchange for a reasonable fee. The parody defense to copyright infringement exists precisely to make possible a use that generally cannot be bought."<sup>71</sup>

Regarding market harm, the harm to a reputation or reduction in sales that results from brutal parody or criticism is appropriately excluded from economic cost to an author of a copyrighted work.<sup>72</sup> Rather,

"The economic effect of a parody with which we are concerned is ... whether it fulfills the demand for the original. Biting criticism suppresses demand; copyright infringement usurps it. Thus, infringement occurs when a parody supplants the original in markets [to which] the original is aimed ... [or may] become commercially valuable ... This is not a case in which *commercial substitution* is likely" [emphasis mine]<sup>73</sup>

Acknowledging the relevance of "commercial substitution", the market harm test of *Fisher v. Dees* decision laid the foundation for the U.S. Supreme Court in *Campbell v. Acuff-Rose*, which was heard in November, 1993 and decided in the following March.<sup>74</sup> The matter involved a parody of the Roy Orbison song *Oh Pretty Woman*, that was recorded by Luther Campbell and three other members of the rap group, 2 Live Crew. The original publisher, Acuff-Rose Music, sued for copyright infringement. The District Court upheld the recording of the composition as a fair use parody,<sup>75</sup> while the Circuit Court reversed and remanded because the use was commercial in nature and the borrowing excessive.<sup>76</sup>

Justice Souter ruled in the Supreme Court that the parody may claim fair use under the first criterion in Section 107 as it sheds light on an earlier work and, as a

---

<sup>71</sup> Note, The Parody Defense to Copyright Infringement, Productive Fair Use After Betamax: 97 HARV. L.REV. 1395, 1397, n. 12 (1984). 3 M. Nimmer, NIMMER ON COPYRIGHT, 13.05[C], at 13-89; Gordon, supra note 28, 1633 & n. 177.

<sup>72</sup> A "parody may quite legitimately aim at garroting the original, destroying it commercially as well as artistically." B. Kaplan, AN UNHURRIED VIEW OF COPYRIGHT 69 (1967). "Destructive parodies play an important role in social and literary criticism and thus merit protection even though they may discourage or discredit an author." Note, Id., at 1411.

<sup>73</sup> Fisher, supra note 70, 438, 14. Other courts have held that fair use may be allowed in market niches and applications that copyright holders have not sought, or reasonably been able to seek. Twin Peaks, supra note 19, at 1377; Pacific and Southern Co. v Duncan, 744 F. 2d 1490, 1496 (11<sup>th</sup> Cir. 1984)

<sup>74</sup> *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).

<sup>75</sup> 754 F. Supp. 1150, 1154-58 (MD Tenn. 1991)

<sup>76</sup> 972 F. 2d 1429, 1439 (1992)

comedic form of criticism, is transformative.<sup>77</sup> Regarding market harm, Justice Souter next distinguished between a critical work (i.e., parody) and other derivative works that are generally protected by copyright; criticism suppresses demand while derivative works usurp it.<sup>78</sup> Finally, there is no protectable derivative market for criticism; potential markets

“include only those [markets] that creators of original works would in general develop or license others to develop. Yet the unlikelihood that creators of original works will license critical reviews or lampoons of their own productions removes such uses from the very notion of a potential licensing market.”<sup>79</sup>

The Court recognized that Campbell’s use also bordered on an infringing derivative -- a rap version of *Oh Pretty Woman* -- that was itself not a parody. At first the Court seems to consider a comprehensive inquiry to all possible market harms in this regard; “the derivative market for rap music is a proper focus of enquiry. Evidence of substantial harm to it would weight against a finding of fair use, because the licensing of derivatives is an important economic incentive to the creation of originals.”<sup>80</sup> Furthermore, “we must consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also whether unrestricted and widespread conduct of the sort engaged in by the defendant would result in a substantially adverse impact on the potential market.”<sup>81</sup> Nonetheless, the Court abbreviates its test, concluding that the only harm to the market “that need concern us ... is the harm of *market substitution*. [emphasis mine]. It remanded to the District Court to consider these potential harms, noting that “there was no evidence that a potential rap market was harmed in any way by 2 Live Crew’s parody, rap version.”<sup>82</sup>

Neither *Fisher* nor *Campbell* deployed the wider test of *Texaco* to consider the possible loss of licensing revenues beyond damages from direct substitution.<sup>83</sup> In *Campbell*, the transfer fee for a non-parodying rap use could have been related (though not necessarily equated) to the statutory mechanical fee that had been established for

---

<sup>77</sup>Campbell, supra note 74, 578; citing Fisher, supra note 70.

<sup>78</sup>Id., 591; citing Fisher, supra note 70, at 438.

<sup>79</sup>Id., 592.

<sup>80</sup>Id., 593.

<sup>81</sup>Id.

<sup>82</sup>Id.

<sup>83</sup>Supra notes 36-41 and surrounding text.

second reproductions of musical works.<sup>84</sup> Alternatively, arbitrators might have considered comparable license fees for other non-parodying uses.

If the statutory license can provide a starting point to establish a reasonable benchmark, it would seem that a market exchange of rights to “Oh Pretty Woman” could have been facilitated. Although parody itself is a defensible exercise in free speech, the particular use at hand is also a commercial undertaking that remunerated 2 Live Crew for their efforts. If Courts facilitate the transaction, it is not yet clear why the owners’ right to receive payment for a commercial derivative should have been entirely voided.

By not imputing a license fee based on available standards, the Court failed to facilitate a market mechanism that could have been adapted to handle the situation. This type of analysis succumbs to an illusion of a static market that can be discerned and known for all of its potential, or lack of potential, to adopt to new property rights. However, market processes for transferring rights are not exogenous; they are themselves the resultants of previously enacted legal rules and social codes that condition human behavior. Facilitating institutions in market exchange can become more complex as their underlying rights become nuanced.

## **Parody vs. Satire**

In contrast to the parody decisions, Courts have enjoined or punished producers of satires, or related works of a comedic/critical nature, that “conjured up” earlier copyrighted works to ridicule something other than the original.<sup>85</sup> Among others, Courts upheld copyright owners when sculptor Jeff Koons based themes in his art on photographs of Art Rogers,<sup>86</sup> Penguin Books published an O.J. Simpson takeoff on Dr. Seuss’ “The Cat in the Hat”,<sup>87</sup> Air Pirates satirized social values with characters from

---

<sup>84</sup>In fact, if a label were to record a previously recorded song that had been legally distributed in the U.S., it may pay a statutory (or compulsory) mechanical license to the publisher for the right to make the reproduction. 17 U.S.C. 115. Statutory mechanical licenses for musical compositions are made available at rates arbitrated at the Copyright Office. 17 U.S.C. 801. With statutory licenses, secondary recordings of copyrighted works have guaranteed access to reproduce the song in an artistic manner that the publisher might not otherwise approve.

<sup>85</sup> Parody has been defined “as a work in which the language or style of another work is closely imitated” and satire is a work which uses “wit, irony, or sarcasm for the purpose of exposing and discrediting vice or folly.” *Dallas Cowboys Cheerleaders v. Pussycat Cinema* 467 F. Supp. 366, 376 (S.D.N.Y.), *affd.* 604 F. 2d 200 (2<sup>nd</sup> Cir. 1979).

<sup>86</sup> *Rogers v. Koons*, 960 F. 2d 301 (2<sup>nd</sup> Cir. 1991). Jeff Koons was a post-modern sculptor who appropriated significant aspects of the photographs of Art Rogers to satirize the social impulse for kitsch. See also *Campbell v. Koons*, No. 91 Civ. 6055, 1993 WL 97381 (S.D.N.Y. 1993), *United Feature Syndicate, Inc. v. Koons* 817 F. Supp. 370 (S.D.N.Y. 1993).

<sup>87</sup> *Dr. Seuss Enterprises v. Penguin Books USA, Inc.*, 109 F. 3d 1394 (9<sup>th</sup> Cir.), *cert. dismissed*, 118 S. Ct. 27 (1997). Penguin Books published a book written in the poetic style of Dr. Seuss about events surrounding the murder of Nicole Simpson and Ron Goldman. The District Court found that Seuss was threatened with the prospect of “immediate and irreparable harm to its interests by further advertising and

Disney,<sup>88</sup> a rendition of “Boogie Woogie Bugle Boy of Company C” used the original song for sexual humor,<sup>89</sup> and actors in an explicit movie appeared wearing Mickey Mouse ears.<sup>90</sup>

Judge Souter distinguished parody and satire in *Campbell*. “Parody, which is directed toward a particular literary or artistic work, is distinguishable from satire, which more broadly addresses the institutions and mores of a slice of society.”<sup>91</sup> He found the border between the two to be vague and their use co-extensive; “parody often shades into satire and a work can contain elements of both.”<sup>92</sup> While admitting these ambiguities and overlaps, Souter then off-handedly dismisses satiric uses; i.e., the use of pre-existing works for satire may be done simply to “avoid the drudgery in working up something fresh.”<sup>93</sup> Yet lest we think that only parody can win the day,<sup>94</sup> his note 14 would apparently allow a fair use for some satires.<sup>95</sup> With this Supreme Court precedent, contending parties in a parody case now face ambiguous standards that themselves be artfully “conjured up” to demonstrate whether a derivative work is a parody, a satire, or something else.

---

sales” and issued an injunction against publication. 924 F. Supp. 1559, 1574 (S.D. Cal. 1996). The Circuit Court held that the work failed to qualify as a parody because it did not target the original book. (At 1401) The “goodwill and reputation associated with Dr. Seuss’ work is substantial”. (At 1403).

<sup>88</sup> *Walt Disney Productions v. Air Pirates*, supra note 64. Comic writers used Disney characters to represent a general innocence and wholesomeness that they wished to ridicule. Court concluded that the defendants “took more than was necessary to place firmly in the reader’s mind the parodied work and those specific tributes that [were] to be satirized.” At 758.

<sup>89</sup> *MCA, Inc. v. Wilson*, supra note 67. Defendant’s rendition of “Boogie Woogie Bugle Boy”, entitled “The Cunnilingus Champion of Company C”, was enjoined because “it does not appear that [defendants] attempt to comment ludicrously on Bugle Boy.” (At 185). Rather, the composers’ purpose was simply to use a well-known song and avoid the task of composing original music. At 183-5

<sup>90</sup> *Walt Disney v. Mature Pictures*, 389 F. Supp. 1397, 1401 (S.D.N.Y. 1975). Three male actors in a adult movie wore Mickey Mouse ears while the program theme song was repeated for four minutes of the movie.

<sup>91</sup> *Campbell*, supra note 74, at 580-81, n. 15. “Parody needs to mimic an original to make its point, and so has claim to use the creation of its victim’s . . . imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing.” Gordon, supra note 28, 1172.

<sup>92</sup> *Id.*

<sup>93</sup> *Id.*, at 580. To which Alex Kozinski responds: “I’m not so sure. It’s easy enough to spew a few lines of impromptu Seussian doggerel, but it takes some creativity and work to write a sustained satirical pastiche that people will enjoy enough to pay money for.” Kozinski and Newman, supra note 5, 517.

<sup>94</sup> *Id.*, 589-90. (“This is not, of course, to say that anyone who calls himself a parodist can skim the cream and get away scot free.”)

<sup>95</sup> *Id.*, n. 14

From an economic perspective, a distinction in licensing procedures regarding parody and satire can be justified only if there is a market failure inherent in the licensing of one but not the other.<sup>96</sup> The distinction between the two here can seem contrived. The comedic criticisms of satire and parody would seem equally transformative and usurping of demand for the original. Regarding the difficulty of obtaining a license, the chances for obtaining a purely voluntary license for disseminating either a parody or a number of satires -- particularly involving political content or cultural criticism -- may be equally slim.<sup>97</sup> As a general matter, it is also questionable to contend that satirists denied access to one work may always find a suitable substitute among others.<sup>98</sup>

The general public gains from satire, if anything, seem greater than in parody. There are profound benefits to be had when artists and writers can make use of recognized artifacts and icons to ridicule or criticize political institutions, cultural values, or media presentation.<sup>99</sup> From an economic perspective, these gains from social or political criticism are public benefits that cannot be appropriated in two-party exchange and not readily priced.<sup>100</sup> To widen opportunities for political expression and facilitate cultural exchange,<sup>101</sup> it would be beneficial to facilitate many of these satiric uses, which implicate critical dimensions that are no part of a directed parody.<sup>102</sup> It is difficult to understand how parodies that directly ridicule individual works would be of greater social importance.

---

<sup>96</sup>Gordon, *supra* note 28.

<sup>97</sup>Prof. Gordon terms this an anti-dissemination motive (*supra* note 28, 1633). Because satire does not target the original work, Richard Posner argues that the original author would be willing to license the derivative for economic profit. R. A. Posner, *When is Parody Fair Use?*, 21 J. LEGAL STUD. 67, 71 (1992). He ignores the dangers of reputational effects (Dr. Seuss, *supra* note 87), political fallout (Walt Disney Productions, *supra* note 64), and a general desire to control other artistic expressions.

<sup>98</sup>As argued by J. Bisceglia, *Parody and Copyright Protection: Turning the Balancing Act into a Juggling Act*, 34 COPYRIGHT L. SYMP. (ASCAP) 1, 25 (1987).

<sup>99</sup>Post-modern art (e.g., Jasper Johns' flags, Andy Warhol's soup cans) purposely appropriates recognized political and commercial images to make an artistic criticism of social values. As such, it represents a higher criticism that targets society more than the original work. "The referent in Post-Modern art is no longer nature, but the closed system of fabricated signs that make up our environment." N. A. Voegli, "Rethinking Derivative Rights", 63 BROOKLYN L. REV. 1213.

<sup>100</sup>Gordon would include them as externalities; *supra* note 29, 1631. "If the defendant's interest impinges on a first amendment interest, relying upon the market may become particularly inappropriate; constitutional values are rarely well paid in the marketplace and, while the citizenry would not doubt be willing to pay to avoid losing such values, it is awkward at best to try to put a price on them."

<sup>101</sup>See W. J. Gordon, "A Property in Self Expression: Equality and Individualism in the Natural Law of Intellectual Property", 102 YALE L.J. 1533 (1993); L. Ray Patterson, "Free Speech, Copyright, and Fair Use", 40 VAND. L. REV. 1 (1987); N.W. Netanel, "Copyright and a Democratic Civil Society", 106 YALE L. J. 283 (1996).

<sup>102</sup>See R. P. Merges, "Are You Making Fun of Me?: Notes on Market Failure and the Parody Defense in Copyright Law", 21 AIPLA Q.J. 31.

To my mind, four points correctly summarize the actual costs of doing exchange of necessary rights to enable critical works.<sup>103</sup> First, it is difficult now to draw the line between a protected parody and all else. Second, copyright owners will not generally license transformative associations that a substantial number of people may find offensive, impolitic, or inartistic. Third, satirists and critical writers cannot always find suitable works which they may transform to enable social criticism and political attack. Finally, the right to take material for a satire will provide no additional disincentive to original creators, since the new work will not substitute for the original.

### **The Wind Done Gone**

Returning to *The Wind Done Gone*,<sup>104</sup> the District Court opened its decision by recognizing that copyright owners for GWTW had administered a well-established market for licensed derivative works, including two remunerative licensed sequels that entailed the payment of substantial advances and royalties.<sup>105</sup> Comparing TWDG with the terms of the sequel licenses and considering a reasonable domain for acceptable “conjuring”, the Court found that Ms. Randall’s takings were excessive<sup>106</sup> and issued a preliminary injunction. The Court also found that the author’s original intent extended to a general social and historical criticism of the American South that is beyond the domain of a work-critical parody.<sup>107</sup> Establishing the adaptability of sequel licenses, “the fair price to be paid for the right to publish a sequel to the work has already been set by two publishers who have agreed to pay, or paid, substantial advances and royalties for the right to create its sequels.”<sup>108</sup>

The Circuit Court agreed that takings of GWTW were substantial and that the first half of Ms. Randall’s book was largely an “encapsulation of [GWTW that] exploits its

---

<sup>103</sup>As argued by J. M. Vogel, “The Cat in the Hat’s Latest Bad Trick”, 20 CARDOZO L. REV. 287, 313-4 (1998).

<sup>104</sup>Supra notes 1-4 and surrounding text.

<sup>105</sup>SunTrust Bank v. Houghton Mifflin, 136 F. Supp. 2d 1357, 1363 (2001).

<sup>106</sup>The book “uses fifteen fictional characters from [GWTW], incorporating their physical attributes, mannerisms, and the distinct features that Ms. Mitchell used to describe them, as well as their complex relationships with each other. Moreover, the various ... settings, characters, themes, and plot of [TWDG] closely mirror those contained in [GWTW].” Id., 1367.

<sup>107</sup>Id., 1377, n. 16. “The question before the court is not who gets to write history, but rather whether Ms. Randall can permeate most of her critical work with the copyrighted characters, plot, and scenes from [GWTW] in order to correct the ‘pain, humiliation and outrage’ of the ‘a-historical representation’ of the previous work, while simultaneously criticizing the antebellum and more recent South.” Id., 1378.

<sup>108</sup>Id., 1373-4, n. 12



copyrighted characters, story lines, and settings as the palette for the new story.”<sup>109</sup> However, after finding that *Campbell* was *ambiguous* in its allowed purposes of parody,<sup>110</sup> the Circuit Court held that TWDG is a “specific criticism of and rejoinder to the depiction of slavery, and the relationships between blacks and whites, in GWTW”<sup>111</sup> and therefore a parody. Thus, the parody v. satire distinction (at least in terms of its allowed purposes) was resolved in admitted ambiguity and subjective choice.

Even with allowed purposes, not every parody of a creative work is a fair use; the four part test of Section 107 then comes into play. After finding that TWDG was transformative<sup>112</sup> and dismissing the relevance of the second fair use criterion,<sup>113</sup> the Circuit Court considered the third criterion – the amount and substantiality of Ms. Randall’s taking and whether her conjuring was excessive, per *Elsmere*.<sup>114</sup>

In this respect, the Court considered examples of excessive duplication in TWDG where no clear role in the parody was established.<sup>115</sup> The Court acknowledged the subjectivism in enforcing this key criterion in parody:

“we are reminded that literary relevance is a *highly subjective* analysis *ill-suited for judicial inquiry* ... Based on this record at this juncture, we *cannot determine in any conclusive way* whether ‘the quantity and value of the materials used’ are reasonable in relation to the purpose of the copying.”<sup>116</sup> [emphasis mine]

It then turned to the key market harm criterion, where it applied the “market substitution” test of *Campbell*.<sup>117</sup> Interpreting *Campbell*, “the evidence proffered in support of the fair use defense specifically and correctly focused on market substitution and demonstrates why Randall’s book is unlikely to displace sales.”<sup>118</sup> The Court

---

<sup>109</sup>Houghton Mifflin v. SunTrust Bank, 268 F 3d 1257 (11<sup>th</sup> Cir. 2001). Citing SunTrust, supra note 105, 1367.

<sup>110</sup>“The Court suggests that the aim of parody is ‘comic effect or ridicule’, but it then proceeds to discuss parody more expansively in terms of its ‘commentary’ on the original. *Campbell*, supra note 74, at 580 .. We choose to take the broader view.” *Id.*, 1268

<sup>111</sup> *Id.*, 1268-9.

<sup>112</sup> *Id.*, 1269-71.

<sup>113</sup> *Id.*, 1271.

<sup>114</sup>*Id.*, 1271-4.

<sup>115</sup>*Id.*.

<sup>116</sup>*Id.*, sourcing *Campbell*, supra note 74, 516; *Folsom*, 9 F. Cas. 348.

<sup>117</sup>*Id.*, 1274-6.

<sup>118</sup>*Id.*, 1276.

acknowledged the presence of a licensing market for sequels and other derivatives of TWDG.<sup>119</sup> However, rather than focus on the revenues that could have otherwise resulted from direct licensing, the Court ruled that SunTrust offered “little evidence or argument to demonstrate that TWDG would *supplant demand* for SunTrust’s licensed derivatives.”<sup>120</sup> [emphasis mine] The Court then refocused license opportunity from direct losses of licensing revenues to displaced licensing *of other derivative works*. Apparently rooted in the special nature of the parody, the Court’s view of market harm from lost licensing opportunities is considerably narrower than *Texaco*.<sup>121</sup>

Curiously, Courts in other high-profile cases last year were less reticent about acknowledging the potential for courts and legislators to provide equitable benchmarks in copyright cases where “all or nothing” choices implicated injunctions or fair use.<sup>122</sup> In *New York Times Co. v. Tasini*, the Supreme Court concluded: “If necessary, the court and Congress may *draw on numerous models* for distributing copyrighted works and remunerating authors for their distribution.” [emphasis mine].<sup>123</sup> Moreover, the Eleventh Circuit concluded *Greenberg v. National Geographic Society* with a remand: “In assessing the appropriateness of injunctive relief, *we urge the court to consider alternatives, such as mandatory license fees*, in lieu of foreclosing the public’s computer-aided access to this educational and entertaining work.” [emphasis mine].<sup>124</sup>

## Conclusion

In the 1999 Brace Lecture to the New York Chapter of the Copyright Society, Judge Alex Kozinski grasped the underlying economic reality of the copyright system and the need for defining marketable rights and enforcing institutions:

“The premise behind copyright ... is that the best way to promote production of valuable intellectual works is to give authors and inventors the ability to demand and receive compensation for the values they create.... *The best way to do this is to grant property rights that give their products exchange value.*”<sup>125</sup> [emphasis mine]

---

<sup>119</sup>Id., 1274.

<sup>120</sup>Id., 1275.

<sup>121</sup>Supra note 44-5 and surrounding text.

<sup>122</sup>A point made by M. Nimmer, NIMMER ON COPYRIGHT, sec 13.05[E][4][e], at 13-90 to 13-92 (1982) (admitting a possible judicial role in the creation of the compulsory license).

<sup>123</sup>*New York Times Company Inc. et al., v. Jonathan Tasini et al.*, 533 U.S. 483, 519; 121 S. Ct. 2381, 2393-4; 150 L. Ed. 2d 500, 541 (2001).

<sup>124</sup>*Greenberg v. National Geographic Society*, 244 F. 3d 1267, 1276 (11<sup>th</sup> Cir. 2001)

<sup>125</sup>Kozinski and Newman, supra note 5, 519.

Courts then may reasonably enforce property rights to lubricate exchange and facilitate the transactions of commercial works that are deemed “sufficiently transformative”. This class of works may narrowly include all critical work (including parodies, satires, cultural criticisms, and critical references) where the borrowed material is not reasonably interchangeable with other copyrighted works.<sup>126</sup> More arguably, facilitated uses may include any creative transformation that is sufficiently different from its copyrighted predecessor so that market displacement is not credible.<sup>127</sup>

The transfer of rights can be expedited by appointing an arbitrator to impose fees based on comparable transactions.<sup>128</sup> Alternatively, compensation can be determined by an action of a U.S. District Court, as is now the case for public domain works restored under copyright protection.<sup>129</sup> Such an approach would guarantee a transformative user the necessary legal access to copyrighted materials, and guarantee a copyright owner fair compensation for takings of his work. As in Judge Cowen’s dissent, an enforcement of property rights would create the appropriate landscape for the necessary facilitating institutions to expedite transfer.

A number of uses may go badly compensated for lack of a good benchmark or other relevant evidence (although this would seem preferable to zero compensation). However, this vacuum will have opportunity to fill out only if the Courts enforce exchangeable property rights in adjacent markets. This would provide the greatest opportunity and incentive for owners and agents to “thicken” their licensing operations and produce the greatest number of comparable standards for any dispute.<sup>130</sup> As an option

---

<sup>126</sup> In the work of post-Modern artists (e.g., Jasper Johns, Andy Warhol, and Jeff Koons; supra note 100), particular images combined on a canvas may be relatively non-interchangeable in representing particular motifs in the social imagination. The Second Circuit described artist Jeff Koons as a member of a “school of American artists who believe the mass production of commodities and media images has caused a deterioration in the quality of society, and ... proposes through incorporating these traditions into works of art to comment critically both on the incorporated objection and the political and economic system that created it”. Rogers, supra note 86, at 309. See also J. Carlin, “Culture Vultures: Artistic Appropriation and Intellectual Property Law”, 13 COLUM. VLA J.L. & ARTS, 103 (1988).

<sup>127</sup> My favorite example of a unique transformation is John Coltrane’s “My Favorite Things”, which entirely revolutionized the Rodgers and Hammerstein song of the same name. One ponders the cultural loss had Coltrane been denied the right to make this transformative work.

<sup>128</sup> Arbitration has been used in other dispute areas involving copyright. Copyright Arbitration Royalty Panels now operate under the administration of the Copyright Office. 17 U.S.C. 801. Furthermore, a standing panel may be appointed for arbitration, as the ASCAP Rate Court that has operated since 1950 in the jurisdiction of the Southern District of New York. U.S. v. ASCAP, Second Amended Final Judgment, entered in Southern District of New York, White Plains, New York, June 15, 2001.

<sup>129</sup> 17 U.S.C. 104A(d)(3)(B).

<sup>130</sup> From an economic perspective, bargaining difficulties may recede when markets are “thick”; i.e., populated by many buyers and sellers and/or subject to a repetitive process that can discipline behavioral frictions that interfere with efficient exchange. Hagglng, holdout, cheating, and other transactional difficulties are more likely when markets are “thin”.

that may avoid individual arbitrage and facilitate thin markets, rights owners -- or their collective agents -- can sign blanket contracts with publishers that indemnify them against possible transformative infringements.

There are six considerations why licensing arbitration is preferable to the existing “all or nothing” regime of injunction or fair use in the broader area of critical or transformative work:

1. Rules that now enforce injunctions, limit free speech, and impose punitive damages can be vacated.<sup>131</sup> Instead of enjoining expression, Courts may expedite the production and dissemination of a wider domain of works. This would promote synergies among works that may achieve a wider critical or transformative use than ridiculing one another.

2. To the greatest degree possible, owners of intellectual property are guaranteed compensation, while others are enabled to produce more. Contending parties may then avoid gamesmanship of indeterminate win-lose games. Instead of fighting zero-sum gladiatorial contests, contending parties will have more incentive to negotiate to arrive at mutually accommodative solutions so that the court does not have to.

3. Creative incentives are greater when the uncertainty of an injunction can be eliminated. Prospective creators can more openly make use of appropriate material if they know that their eventual product will not be enjoined.

4. Free takings are allowed only after all possible measurements for fair compensation are exhausted. This confines free taking to specific instances where the consequences of market failure are confirmed to be truly higher.

5. By supporting marketable rights, we also empower collecting societies, licensing agencies, negotiating agents, and other expediting institutions to play in the market. These institutions may accommodate negotiation, new licenses, or online interaction, and reduce the need for ongoing court involvement.

6. If particular reuses of copyrighted material (e.g., Internet pornography) are to be stopped, this can be done legislatively with open debate and Supreme Court protections of First Amendment. Equitable rules can be established for all inappropriate uses that would admit no surrounding penumbra of excuse for a parody exemption.

## **ABOUT THE AUTHOR**

---

<sup>131</sup>The Copyright Clause was intended “to be the engine of free expression.” Harper & Row, *supra* note 10. As much as any other injunction on personal freedom, copyright injunctions that restrict speech deserve the strictest scrutiny. M. A. Lemley and E. Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L.J. 147 (1998).

**Michael A. Einhorn** ([mae@mediatechcopy.com](mailto:mae@mediatechcopy.com), <http://www.mediatechcopy.com>) is an economic consultant and expert witness active in the areas of intellectual property, media, [entertainment](#), damage valuation, licensing, antitrust, personal injury, and commercial losses. He received a Ph. D. in economics from Yale University. He is the author of the book *Media, Technology, and Copyright: Integrating Law and Economics* ([Edward Elgar Publishers](#)), a Senior Research Fellow at the [Columbia Institute for Tele-Information](#), and a former professor of economics and law at Rutgers University. He has published over seventy professional and academic articles and lectured in Great Britain, France, Holland, Germany, Italy, Sri Lanka, China, and Japan.

In the [technology](#) sector, Dr. Einhorn worked at Bell Laboratories and the U.S. Department of Justice (Antitrust Division) and consulted to General Electric, AT&T, Argonne Labs, Telcordia, Pacific Gas and Electric, and the Federal Energy Regulatory Commission. He has advised parties and supported litigation in matters involving [patent damages](#) and related valuations in semiconductors, medical technologies, search engines, e-commerce, wireless systems, and proprietary and open source [software](#).

Litigation support involving media economics and [copyright damages](#) has involved [music](#), movies, television, advertising, branding, apparel, architecture, fine arts, video games, and photography. Matters have involved Universal Music, BMG, Sony Music Holdings, Disney Music, NBCUniversal, Paramount Pictures, DreamWorks, Burnett Productions, Rascal Flatts, P. Diddy, Nelly Furtado, Usher, 50 Cent, Madonna, and U2.

Matters involving trademark damages have included the Kardashians/BOLDFACE Licensing, Oprah Winfrey/Harpo Productions, Madonna/Material Girl, CompUSA, Steve Madden Shoes, Kohl's Department Stores, *The New York Observer*, and Avon Cosmetics. Matters in publicity right damages have involved Zooey Deschanel, Arnold Schwarzenegger, Rosa Parks, Diane Keaton, Michelle Pfeiffer, Yogi Berra, Melina Kanakaredes, Woody Allen, and Sandra Bullock.

Dr. Einhorn can be reached at 973-618-1212.

*This biography is also available at <http://www.jurispro.com/MichaelEinhorn>*