DERIVER’S LICENSES:
AN ARGUMENT FOR ESTABLISHING A STATUTORY LICENSE FOR DERIVATIVE WORKS

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“If I have seen further, it is by standing on the shoulders of giants.”
- Sir Isaac Newton

Introduction

The above quote is most often credited to Sir Isaac Newton, but appropriately, evidence suggests that he based it on the concept of standing on the shoulders of giants that was popular in the Renaissance.1 The quote is often used in scientific circles because it is a reminder that the most famous work is built on essential works that came before it. Science progresses evolutionarily rather than revolutionarily. Although the same is true of arts and culture, a similar affinity for the concept is missing in artistic disciplines and copyright. Derivation is the engine for progress in the arts, but the ignition key has been given to those least interested in its use.

Currently, the holder of a copyright has total control over whom, if anyone, may use that work in making the next derivative progression. This right is given as an incentive for creation, but it gives far more incentive to produce a single generation of works than a continuing culture of evolutionary works. Removing the permission right, while keeping the right to receive payment for use, would destruct many of the barriers to the creation of derivative works but still give the earlier authors an incentive to create. The best way to strike that balance is to establish a statutory, compulsory license for derivative works.

In this paper I argue that the current law is not properly balancing the interests of copyright holders and the American public in the area of derivative works. To solve this problem, I advocate a statutory license for the derivative work right based on existing statutory licenses and trademark law. Part I examines the concept of derivative works and their unique value to the progress of American culture. Part II reviews the current state of the law and the creative community, finding both deficiencies and inspiration. Section A evaluates fair use as an option available to the author of a derivative work and how it fails to enable her work. Section B reviews the current use of statutory licenses in copyright law. Section C surveys the effect of trademark law on derivative works and the problem of source confusion. Section D addresses the psychic effect on authors of base works. Section E introduces an economist paradigm for evaluating copyright law. Part III proposes the optimal elements and operation of a statutory license for derivative works.

I. A Nation of Derivers

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1 For a more in depth discussion of the origin of the phrase visit http://www.aerospaceweb.org/question/history/q0162b.shtml (last visited March 7, 2006)
A. The What of Derivative Works

The right to “prepare derivative works based upon the copyrighted work” is an exclusive right of the copyright holder in Section 106 of the Copyright Act of 1976. Like the other Section 106 rights, the derivative work right is just as restricted and automatic. Only the copyright holder can prepare or authorize a derivative work. “Derivative work” is a term defined in the statute.

A "derivative work" is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications that, as a whole, represents an original work of authorship is a "derivative work".

This right extends the copyright owner’s reach past copiers who reproduce the work in whole or in substantial part in the same medium. The derivative work right also expands the copyright holder’s rights beyond mere copying because the deriver’s use does not even need to be fixed. In fact, the derivative work does not need to be protectable to infringe the copyright on the base work. In Kalem Co. v. Harper Bros., the Supreme Court found that the movie, Ben Hur, infringed the novel, Ben Hur, despite the fact that copyright law did not protect movies at that time. However, a derivative work must meet the requirements for copyright protection under Section 102(a) for it to be protected by copyright.

Section 103 specifically states that derivative works are capable of being protected by copyright under Section 102. This is consistent with the copyright scheme as 17 U.S.C. Section 101 defines a derivative work as “a work”; therefore it should be treated the same as other works under copyright. The limit of that protection is that the derivative work owner’s rights do not include the portion of the base work that has been incorporated into the derivative work unlawfully. In fact, the copyright in the derivative work never extends to the portion of the work that incorporates the material from the base work, but only extends to the new material. This keeps the base work author’s rights fixed and rewards only the creativity in the derivative author’s additions.

The right to prepare derivative works is a clear statement that Congress wants to provide copyright holders the sole right to exploit the peripheral markets for a work. The clearest value of a derivative work to the copyright holder is the ability to reach new markets. Translations are primarily made so that the work can be sold in different countries. Television and film adaptations are designed to capture not only those who read the novel, but also those who had no interest in reading the book.
Derivative works incorporate the base work, but they build upon the base work by recasting, transforming, or adapting it. A derivative work is often more creative than the base work. Even the derivative works that might seem rote can be hiding a substantial amount of creativity. Adaptation of a novel for television or film often requires editorial revisions or even entire new scenes, locations, or characters. Even mere translations call for some creativity because the translator is not just changing the words, but sometimes the cultural references and themes when the new market does not understand the market for which the original author created the base work.

The derivative work must differ from the base work, or it is merely a reproduction. Courts, however, differ on how much change is required to produce a derivative work. Judge Posner, in Gracen v. Bradford Exchange, held that the derivative work must be “substantially different” than the base work to be protected. This was to “prevent overlapping claims.” When the base work is in the public domain, making a derivative work does not require permission from the author of the base work; the substantial difference requirement, however, would prevent someone accused of copying the derivative work from defending himself by claiming to have copied the base work. Alternatively, in Eden Toys v. Florelee Undergarment Co., the Second Circuit held that smoothing the lines of a sketch to give it a “cleaner look” made a protectable, new work despite not having “a different aesthetic appeal” from the base work. The Second Circuit also held in Alfred Bell & Co. Ltd. v. Catalda Fine Arts, Inc. that only something more than a merely trivial variation was required, which could occur accidentally.

B. The Why of Derivative Works

“More than ever, I believe in the permanence of any well-founded institution which recognizes and caters to the basic needs of the people, spiritually as well as materially. And in my opinion, entertainment in its broadest sense has become a necessity rather than a luxury in the life of the American public.”

-Walt Disney

Film and the Copyright Law, 10 ST. THOMAS L. REV. 299 (1998).


13 698 F.2d 300 (7th Cir. 1983).
14 Id. at 305.
15 Id. at 304.
16 Id.
17 697 F.2d 27 (2d Cir. 1982).
18 Id. at 34-35.
19 191 F.2d 99 (2d Cir. 1951).
20 Id. at 103.
21 Id. at 105.
Derivative works are uniquely valuable to copyright policy, as they are specifically suited to the goal of progressing science and art. A derivative work has a much shorter gestation period than an original work because it need not begin from scratch. Additionally, a derivative work will always have a relationship to contemporary culture, as it incorporates the culture of the base work. Cultural development is not an individual effort, nor a chain of solo works. Culture progresses in parallel, distributed paths.

Courts have long recognized the unique value of derivative works to culture. The Supreme Court said,

"From the infancy of copyright protection, some opportunity for fair use of copyrighted materials has been thought necessary to fulfill copyright's very purpose, "to promote the Progress of Science and useful Arts....," [f]or as Justice Story explained, "in truth, in literature, in science and in art, there are, and can be, few, if any, things, which in an abstract sense, are strictly new and original throughout. Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before."

The Second Circuit said, "From the earliest days of the [fair use] doctrine, courts have recognized that when a second author uses another's protected expression in a creative and inventive way, the result may be the advancement of learning rather than the exploitation of the first writer."

In addition to being faster or less costly to produce, derivative works increase access to information. When a book is translated into another language or adapted into a different medium, like television, knowledge is spread over a wider audience by reducing the cost of exposure. Relying on the author of the derivative work will not give the identical experience of the base work to the new audience. This is good, however, because the derivative work will not displace the market for the original, and it is still valuable as a cheap starting point of broad but shallow knowledge that will benefit a majority of society.

On the other hand, the operation of a derivative work necessarily involves copying, especially for parody. At one initial glance, the idea of a derivative work could be seen as going against the idea of copyright. Copyright is mostly understood as preventing or punishing copying. This impression is based on a false but entirely understandable perception of the purpose of copyright. Copyright’s raison d’etre is not to prevent copying. Preventing copying is just a means to achieve the true purpose of copyright. “The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in ‘Science and useful Arts.’” Copyright protection is a carrot, tempting authors to make artistic works for the public.

While the copying involved in derivative works is not a violation of the purpose of copyright, it does remove some of the core value that encourages the creation of new works.

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24 As an example of a cheap yet valuable, broad but shallow, source of information that still satisfies the needs of most people, see the World Wide Web.
Because of this, caution is warranted. The goal must be to capture as much of the unique value of derivative works, by encouraging their creation, while removing as little of the incentive to authors as possible.

II. The Current Law for Derivers

A. You Never Know What You Will Find at the Fair!

"'Fair use' in America is the right to hire a lawyer."

- Lawrence Lessig, Professor of Law, Stanford Law School.

Currently, the statute’s most helpful provision to the author of the potential derivative work is the fair use doctrine. This doctrine was initially a defense that the courts recognized was necessary to give the public the access they needed to American art and culture.\footnote{26}{H.R. REP No. 94-1476, (1976), reprinted in 1976 U.S.C.C.A.N. 5659.} The Supreme Court described the purpose as this: “The fair use doctrine thus permits [and requires] courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.”\footnote{27}{Campbell, 510 U.S. at 577 (quoting Stewart v. Abend, 495 U.S. 207 (1990)).}

The fair use doctrine is loosely described in Section 107 of the U.S. Code.\footnote{28}{17 U.S.C § 107.} It is not specifically defined, as it is designed to be an “equitable rule of reason,” not a bright-line test.\footnote{29}{H.R. REP No. 94-1476, (1976), reprinted in 1976 U.S.C.C.A.N. 5659.} The statute lists some examples of things that could be defended under the doctrine:

Notwithstanding the provisions of sections 106 and 106A, 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.\footnote{30}{17 U.S.C. § 107.}

The statute includes the words “such as” and “including,” making the list “illustrative and not limitative.”\footnote{31}{Campbell, 510 U.S. at 577.} Indeed this not only makes this list not exclusive, but also not inclusive. The Supreme Court, noting that a news story, despite being listed in Section 107 as one of the types of works to which it might apply, is not necessarily entitled to the shield of fair use, stated, “The drafters resisted pressures from special interest groups to create presumptive categories of fair use, but structured the provision as an affirmative defense requiring a case-by-case analysis.”\footnote{32}{Harper & Row, Publishers, Inc. v. Nation Enter., 471 U.S. 539, 561 (1985) (citing H. R. REP. No. 83 (1967)).}

Thus, nobody can be sure in advance of creation, publication, or litigation that the fair use doctrine will cover their work, as there is no set of fixed fair uses.
To assist with each case-by-case analysis, Section 107 gives a list of “factors to be considered.”

(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.\textsuperscript{33}

Again, this is not a complete list; it is a list of factors that may be helpful in determining if granting the fair use defense would serve the purpose of copyright.\textsuperscript{34} “All are to be explored, and the results weighed together, in light of the purposes of copyright.”\textsuperscript{35} As the list is not complete, courts are free to consider anything else that helps determine how to best serve the purpose of copyright law. Because of this flexibility, “the factors thus tend to degenerate into post-hoc rationales for antecedent conclusions, rather than serving as tools for analysis.”\textsuperscript{36}

\textit{Harper & Row, Publishers, Inc. v. Nation Enterprises}\textsuperscript{37} provides a good example of the kind of indeterminacy the statutory factors can create. The \textit{Nation} case involved the memoirs of former President, Gerald Ford, a subject that included the controversial time where he succeeded and subsequently pardoned Richard Nixon, who resigned in a legal scandal involving Watergate.\textsuperscript{38} Ford contracted with Harper and Row to publish the memoirs.\textsuperscript{39} The contract included a “first serial right,” which was sold to \textit{Time Magazine}.\textsuperscript{40} The first serial right gave the exclusive right to publish excerpts from the book in advance of the book’s publication.\textsuperscript{41} \textit{The Nation}, a political magazine, somehow got an advance copy of the memoirs and published excerpts from it in \textit{The Nation} magazine before \textit{Time Magazine} published its excerpts. About 300 words of the 2,250-word \textit{Nation} story were copied verbatim from the memoirs.\textsuperscript{42} The Ford book contained 200,000 words.\textsuperscript{43} Having been beaten to the market, \textit{Time Magazine} canceled the article and exercised their contractual right not to pay the remaining money for the first serial right.\textsuperscript{44}

The Federal District Court denied \textit{The Nation’s} claim of fair use, stating that they had taken the “heart” of the unpublished work in an attempt to make a profit.\textsuperscript{45} The Court of Appeals reversed, stating that the public service of political news reporting and the small amount of material taken justified the protection of fair use.\textsuperscript{46}

\textsuperscript{33} 17 U.S.C § 107.
\textsuperscript{34} Castle Rock Entm’t v. Carol Publ’g. Group, Inc., 150 F.3d 132, 141 (2d Cir. 1998).
\textsuperscript{35} \textit{Campbell}, 510 U.S. at 578.
\textsuperscript{36} MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05[A][5] (2004).
\textsuperscript{37} 471 U.S. 539 (1985).
\textsuperscript{38} \textit{Id.} at 543.
\textsuperscript{39} \textit{Id.} at 542.
\textsuperscript{40} \textit{Id.} at 542-3.
\textsuperscript{41} \textit{Id.} at 542.
\textsuperscript{42} \textit{Id.} at 545.
\textsuperscript{43} \textit{Id.} at 579.
\textsuperscript{44} \textit{Id.} at 543.
The Supreme Court reversed that decision, holding that fair use was not available to *The Nation*. In applying the four factors from Section 107, the Supreme Court found that each factor tilted in the favor of Harper and Row. The Court found that the intent of *The Nation* was to beat their competitors to market with the story so that they would gain the financial benefit.\(^47\) The Court found that *The Nation* not only took the factual ideas of the work, but also more than was necessary to convey the facts, including the “subjective descriptions.”\(^48\) The Court upheld the district court’s finding that *The Nation* took a qualitatively excessive amount of the base work.\(^49\) The Court called the factor evaluating the effect of the new work on the market for the base work “undoubtedly the single most important element of fair use.”\(^50\) The Court found that the article in *The Nation* directly competed with Time Magazine’s intended use.\(^51\)

The dissent in the *Nation* case highlights the unpredictability of the fair use defense. While the majority saw each fair use factor supporting Harper and Row, the three dissenting justices saw all four factors supporting *The Nation*. Noting the inclusion of news reporting among the listed examples in Section 107, the dissent found the purpose of the use appropriate.\(^52\) The dissent saw the nature of the copyrighted work as one of high public value, which supported *The Nation* dispersing the information.\(^53\) The dissent thought that the quantitative amount of the base work taken was small, and the qualitative amount was appropriate for the purpose of news reporting.\(^54\) Finally, the dissent drew a distinction between the effect on the market for the license sold to *Time Magazine* and the effect on all of the rights of the base work together.\(^55\)

The loose method of drafting Section 107 was designed to give legislative backing to an existing judicial concept, while not removing any of the discretion courts needed in applying it to “the endless variety of situations and combinations of circumstances that can arise in particular cases.”\(^56\) Unfortunately, this freedom at the time of litigation necessarily comes at the price of predictability at the time of authorship. The potential author of a derivative work cannot be sure if the work will be considered fair use until a court says so. Even in a case that would be “clear-cut,” the only way to take advantage of the fair use doctrine is to make the argument in litigation. For this reason, some authors will decide that dependence on fair use will cost too much.\(^57\) Even more stifling, some publishers won’t distribute a work that is based on fair use.\(^58\)

Beyond the unpredictably of the fair use defense, it is simply not engineered to cover all derivative works. The factors that are to be considered remove massive portions of what would qualify as a derivative work. Many derivative works are more commercial than educational, and they could represent a competitor to the copyright holder. When evaluating the effect of the use

\(^47\) *Harper & Row*, 471 U.S. at 561-3.
\(^48\) *Id.* at 563-4.
\(^49\) *Id.* at 565.
\(^50\) *Id.* at 566.
\(^51\) *Id.* at 568.
\(^52\) *Id.* at 591.
\(^53\) *Id.* at 604.
\(^54\) *Id.* at 598-603.
\(^55\) *Id.* at 602-3.
\(^57\) For a collection of stories about how artists are dealing with fair use and licensing, see LAWRENCE LESSIG, FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL CREATIVITY (2003).
on the commercial market for the base work, courts include all of the rights given under copyright that the base work copyright holder is likely to use, including the Section 106(2) adaptation right.\textsuperscript{59} Courts “must take account not only of harm to the original but also of harm to the market for derivative works.”\textsuperscript{60} Given that displacing the value of the copyrighted work is seen as the “single most important element of fair use,”\textsuperscript{61} the courts are not likely to extend fair use to most types of commercial derivative works.

Also damaging to derivative works is the third factor, which has been interpreted by courts as allowing the new author to use only the absolute minimum amount of the base work necessary. The Supreme Court has held that a parodist is only allowed to use enough of the base work to “conjure up” the base work in the mind of the audience.\textsuperscript{62} How much more of the work can be referenced, if any, will depend on what is reasonable based on the character of the parody and the market effect. This test is obviously limiting, and also clearly vague. Not only is the concept of “conjuring up” indeterminate, but the test adds another layer of subjectivity when it includes what is required to manipulate the mind of the audience member to this indeterminate level. The mental operation of each audience member is unknown and inconsistent.

Given that the line between fair incorporation and infringement is so blurry and dim, and that the person who will apply the test to determine if the artist will be faced with legal costs will be the opposing party, it is likely that the ambiguity will be a deterrent to making the works.

B. Statutory Licenses

"Take care to get what you like or you will be forced to like what you get."
- George Bernard Shaw, Man and Superman

The concept of a mandatory copyright license already exists in the statute. The idea behind a statutory license, or a compulsory license, is to reduce the transaction costs needed to license out the work. Sans statutory license, the potential lessee must determine the current owner, or owners, of a copyright, determine which rights she will need, and then negotiate a fee for the use. This free market has the theoretical advantages of being faster to respond to specific market forces, such as the public interest in a particular work, and being able to synchronize with more unique factual scenarios. Unfortunately, such a market is also very cumbersome. The task of finding the proper parties to negotiate with requires highly specialized skills and can take months, if not years.\textsuperscript{63} The potential lessee is forced to choose between delaying work on her project while she searches or pays a specialist to search and negotiate, or simply not doing the work as her muse directed, if at all.

Preliminary work on the project must be postponed until the licenses for the rights are secured, as even incorporating the base work in preliminary activity is a violation of copyright. In \textit{Disney v. Filmation},\textsuperscript{64} Filmation used the visual character Pinocchio from the Disney film in preliminary materials, like storyboards,\textsuperscript{65} for their movie, “The New Adventures of Pinocchio.”

\textsuperscript{59} Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc., 964 F.2d 965, 971.
\textsuperscript{60} \textit{Harper & Row}, 471 U.S. at 568 (citations omitted).
\textsuperscript{61} \textit{Id.} at 566.
\textsuperscript{63} See LAWRENCE LESSIG, FREE CULTURE: THE NATURE AND FUTURE OF CREATIVITY (2005).
\textsuperscript{64} Walt Disney Prod. v. Filmation Assoc., 628 F.Supp. 871 (C.D. Cal. 1986).
\textsuperscript{65} Storyboards are something like a script for the visual element of a film. Resembling a massive comic strip, storyboards have one sketch for each combination of the positions of the characters,
The court held that these preliminary, internal uses still could violate the copyright owner’s reproduction right. The potential licensee can’t comfortably use the base work in secret and simultaneously take every opportunity to alert the owner of her desire to use it and negotiate for the rights. The author must therefore choose between costly negotiation and the risk of being caught. With a relatively small audience, she may see obscurity as a more viable and helpful choice than legal use of the base work.

Another problem with the free market is that it isn’t a level playing field. Large media conglomerates hold most copyrights. These corporations hold a large number of rights, as well as the facilities to distribute them and create works from them. The very reason that they have grown so large is so that they can make full use of the copyrights they hold themselves. The insular nature of these conglomerates generally means that the transaction cost, which may deter an independent artist if she is not able to afford it, is an equal deterrent to the large corporation, despite their ability to pay. For the conglomerate to deal with many independent artists for relatively limited licenses will cost more than dealing with one large company who will use the work in many channels of distribution or just exploit it themselves. In other words, the transaction costs are less efficient when dealing with small artists. The financial incentives encourage the copyright holders to avoid independent artists and most derivative works.

Existing statutory licenses are designed to remove or reduce the transaction cost to licenses. While this is immediately understood in terms of cost, it also has the effect of clearing away the system that holds content stagnant in the hands of a consolidated company. The statutory license removes the requirement of permission of the copyright holder.

Section 111 creates a mandatory payment for the rebroadcast of local “over the air” television, which cable systems were doing without payment thanks to a hole in the copyright net. While the cable license was designed to help the content owners get money, the satellite statutory licenses enabled the home satellite providers to deliver the same television that cable companies offered. Section 119 creates a statutory license for nation-wide “cable” channels and so called “superstations.” Section 122 creates a statutory license for broadcast into the markets served by local area channels.

The cable and satellite licenses make it possible for customers to choose between new content delivery systems without having to include the ability to access specific media in their decision calculation. The idea was to level the playing field for cable and satellite providers.

camera, and lighting. The director and cinematographer will then use the storyboard as a guide for filming.

66 Disney, 628 F. Supp. at 876.
Before the satellite licenses, satellite subscribers could only receive network programming if they were out of the broadcast range of the local station.\footnote{Andrew D. Cotlar, \textit{A Subsidy by Any Other Name: First Amendment Implications of the Satellite Home Viewer Improvement Act of 1999}, 53 \textit{Fed. Comm. L.J.} 379, 380 (2001).}

Congress was more vocal about its motivation for the cable license than the satellite licenses, but the effect on the large corporate copyright holders is clear. In addition to the content created by Time, HBO, Warner Brothers, and New Line, the huge media corporation AOL Time-Warner owns the WTBS “Superstation,” CNN, TNT, HBO, TCM, NY1, the WB and many other acronymic companies representing local and nationwide television networks and stations. Also, it owns Time Warner Cable, which serves 26 million homes in 33 states.\footnote{Time Warner Cable, About Us. http://www.timewarnercable.com/corporate/aboutus/companyhighlights.html (last visited November 15, 2006).}

The statutory licenses in Section 118\footnote{17 U.S.C. § 118.} also ease access for public broadcasting and free Internet radio “webcasters” who meet certain guidelines\footnote{“To be eligible for the compulsory license, webcasters must be noninteractive, 17 U.S.C. § 114(d)(2)(A)(i), and cannot publish advance programming schedules, 17 U.S.C. § 114(d)(2)(C)(ii), or play more than four songs by the same artist in a three-hour period, 17 U.S.C. § 114(j)(13). Basically, only stations that pose little threat of substituting for record sales qualify.” Recent Legislation, \textit{Copyright Law - Congress Responds to Copyright Arbitration Royalty Panel's Webcasting Rates. - Small Webcaster Settlement Act of 2002}, 116 \textit{Harv. L. Rev.} 1920 n.8 (2003).} from needing permission to play copyrighted songs. All of these statutory licenses are used primarily by companies who are re-broadcasting something already put to tape. Although a movie shown on TV may be edited for content, appropriateness, or scheduling reasons, the work is recorded in a certain way. This is only a performance under the strained definition in copyright law. The work will be presented to the viewers mostly as released by the author. There is another statutory license, however, which gives the copyright holder less assurance about what the audience will see.

The “mechanical license” is contained in Section 115.\footnote{17 U.S.C. § 115.} This license gives any performer the right to record and distribute a recording of any non-dramatic musical work already released.\footnote{Id.} This is not a license to redistribute a recording, but it is a license to re-record the musical work.\footnote{See Recording Industry Ass’n. of Am. v. Copyright Royalty Tribunal, 662 F.2d 1 (D.C. Cir., 1981).} The importance of the distinction stems from the fact that a recording of a musical work (the “Master Recording”) and a musical work are separate works for the purpose of copyright.\footnote{Nimmer \& Nimmer, \textit{supra} note 36, § 30.03.} The statutory license is an opportunity for an artist to use the musical work in making a new recording with a new group of musicians.\footnote{Nimmer \& Nimmer, \textit{supra} note 36, § 8.04 [A].} The copyright holder gets a fee for the use of the work, but the holder does not have total control over the work that is made.\footnote{Nimmer \& Nimmer, \textit{supra} note 36, § 8.04 [F].}
The mechanical license was created in response to the fear that exclusive licenses with a company named Aeolian who made player-piano rolls would give them a “great music monopoly.” Congress did not want a company’s vast intellectual property holdings to dictate the artistic direction of the country.

The person who makes a new recording under the statutory license has very limited but very important rights. The Section 106(2) adaptation right is whittled away by the mechanical license. Because the copyright is in the music, not the recording, the uniqueness of the first musician’s style is not part of the license. In fact, the statute specifically grants “the privilege of making a musical arrangement of the work to the extent necessary to conform it to the style or manner of interpretation of the performance involved.”

However, there are limitations. For instance, “the arrangement shall not change the basic melody or fundamental character of the work.” This is intended to prevent the work from being “perverted, distorted, or travestied.” The work made under the mechanical license cannot stray too far from the original, as the musical group 2 Live Crew found out. 2 Live Crew made a new work around the melody of Roy Orbison’s song, “Pretty Woman,” which was owned by the company Acuff-Rose. This new song changed the lyrics to something more subversive, and the arrangement to something with stronger bass. 2 Live Crew initially paid royalties under the mechanical license. Eventually, they conceded that they changed the “fundamental character” of the work and were not eligible for the mechanical license.

This lesser protection in the mechanical license means that the original artist can count on the work being performed mostly as written, but it still gives the new performer all of the ambiguity that falls between sheet music and a final performance. The new artist could make a classic rock song into a flourished jazz song, or he could simply give it his own inimitable style. This type of reworking has recently proven commercially successful when Johnny Cash and Ray Charles both released “cover albums” near their deaths.

Another important limitation of the mechanical license over a right to prepare a derivative work is in the protection afforded by copyright law. The recording made under the mechanical license “shall not be subject to protection as a derivative work under this title, except with the express consent of the copyright owner.” The artist using the mechanical license has a right to sell the recordings to the public for private use, but does not have the full rights of a derivative work.

In addition to the limitations of rights granted by the mechanical license, the complexities of the formalities required may dissuade an author from using it. In fact, most of the re-

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83 RIAA, 662 F.2d at 4.
85 Id.
88 Id.
90 JOHNNY CASH, AMERICAN IV - THE MAN COMES AROUND (American Recordings, LLC, 2002);
RAY CHARLES, GENIUS LOVES COMPANY (Concord Records, 2004).
93 See NIMMER & NIMMER, supra note 36, § 8.04[G].
recording and rearrangements of songs are done under a consensual license from the owner. This does not, however, reduce the importance of the statutory license’s existence.

Although the availability of the compulsory license under the 1909 Act has been very important to the structure of the recording industry, the statutory procedures for invoking the license have rarely been used. The usual effect of the system is to make the statutory royalty rate a ceiling on the price copyright owners can charge for use of their songs under negotiated contracts: if the owner demands a higher price in voluntary negotiations, the manufacturer can turn to the statutory scheme, but if the owner is willing to accept less than the statutory rate, he is free to do so. Today, the vast majority of contracts for use of copyrighted musical works involve voluntary payment at precisely the statutory rate.

The mechanical license is still useful to artists despite its disuse because it gives the smaller artists leverage for negotiations. Knowing that they can fall back on the statutory license makes permission a non-issue and gives a significant head start for determining a cost. For the prospective user of the work, this eliminates a substantial amount of the transaction cost. Artists who do not wish to deal with the broad strokes and complex operation of the mechanical license are still supported by it. The mere presence of the statutory license levels the field, which is precisely what statutory licenses are supposed to do through operation.

Having the power to set the de facto rate for statutory licenses comes with it a substantial responsibility to do it right. If the rate is set wrong, it could frustrate the entire purpose of the statutory license. If the rate is set too high or too low, it could make copyright a disincentive to creation for both the future base work author and the future statutory licensee. If the license rate is set too high, the licensee would have too much of the profit from the secondary use taken away to make a living off that use. The creator of the base work would be receiving less money, even though the licensee has the benefit of the base work’s initial advertising cost, established audience, and the ability to skip over the missteps made by the base work author. Alternatively, a low royalty rate also puts the licensee on less comfortable ground. If the rate is too low, then using the license turns into a race to market. A low rate will mean that more competitors could afford to compete, potentially over-saturating the available market. This could make the area unprofitable for all the licensees. If the over-saturation leads to a permanent loss of interest in the subject by the audience, this would also hurt the base work author.

The task of using this power to set the rate is given to the Copyright Arbitration Royalty Panels (CARPs). The CARPs were created in the Copyright Royalty Tribunal Reform Act of 1993. Congress reformed the perpetual Copyright Royalty Tribunals into oblivion and replaced them with the ad hoc CARPs. Section 801 gives the Librarian of Congress the power to appoint and convene the CARPs. The CARPs report their determinations to the Librarian of Congress, who has three months to adopt, reject or modify the determinations. This rate is subject to judicial review. The process of keeping the statutory licensing rates contemporary is thereby placed in hands faster and more specialized than those of Congress.

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94 RIAA, 662 F.2d at 4 (citations omitted).
95 NIMMER & NIMMER, supra note 36, § 7.27.
96 Id.
The statute gives the CARPs the following objectives when adjusting the royalty rates for the statutory licenses. 100

(A) To maximize the availability of creative works to the public;
(B) To afford the copyright owner a fair return for his creative work and the copyright user a fair income under existing economic conditions;
(C) To reflect the relative roles of the copyright owner and the copyright user in the product made available to the public with respect to relative creative contribution, technological contribution, capital investment, cost, risk, and contribution to the opening of new markets for creative expression and media for their communication;
(D) To minimize any disruptive impact on the structure of the industries involved and on generally prevailing industry practices. 101

The statutory licensee is required to account for and pay the royalties to the base work owner. 102 The CARPs do not enforce this duty, but they can serve as arbitration panels in a dispute. 103

C. The Trouble With Trademarks

"About the most originality that any writer can hope to achieve honestly is to steal with good judgment."
- Josh Billings

The immediate concern of most artists is the personal attachment they have to their work. The fact that the Copyright Act gives the right to control derivative works grants copyright holders the last word on how their creative expression is presented to the world. If a potential derivative work author was not required to get the permission of the base work author, the base work author would no longer be in total control. This is one of the most sympathetic arguments artists have. Audiences will form a bond with some types of copyright expression more readily than others. Sampling a music clip seems like copying, but taking a beloved character in a new direction, against the wishes of the creator, seems more like heresy.

Because the public creates an emotional attachment to certain characters or places, they are more concerned with the distortion of those characters. What if someone took the characters in a new direction that was outside the plan for the series? What if someone went into the past, telling a story of the genesis of the characters, which was outside of the canon? What if someone with more deviant ideas took control?

First of all, the reality is that it already happens. Wherever there are characters that light the imagination, there are new works created by the people whom they fascinate. Dubbed "fanfic," a portmanteau word derived from fan fiction, the concept has flourished thanks to the

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100 This applies to §§ 114, 115, 116, 118, and 119. Section 111 has special rules in 17 U.S.C. § 801(b)(2) that mostly limit the changes to matching inflation or adjusting to a change in policy set by the Federal Communications Commission.
102 NIMMER & NIMMER, supra note 36, § 8.04[H][1].
103 NIMMER & NIMMER, supra note 36, § 7.27.
Fanfics can be what-if stories, which change the underlying facts of a universe; or crossovers, where characters from entirely different works meet; or just another chapter in the existing story. There are, of course, the more blue stories as well. (This is the Internet after all.) This semi-obscure decentralized swap shop of creative expression is unquestionably rife with copyright abuse; yet this form of expression survives, presumably due to general disinterest. Most of the people who like the characters like them because they were the product of the creator. Even the best fanfic can’t hope to have the same kind of legitimacy of the base works. If most people know that this is not the work of the original author, they are naturally suspicious or dismissive. In short, they are smart consumers.

The intellectual property doctrines already have laws that protect the customer’s right to choose, and the customer’s desire not to be deceived. Trademark law prevents the derivative author from identifying his work with a mark that would indicate some other established source. This provides limits on derivative works, which would not be removed by a copyright license. Happily, these limitations are very good at addressing author’s concerns about the control over their work.

Trademark law only finds infringement where the use would be likely to confuse the purchaser. This would not include a consumer deducing the origin based on the product itself, but only based on the materials or labels accompanying the sale. Where the item is not for sale, or where there is no confusion, trademark law does not restrict the use. Applied to the idea of derivative works of authorship, this would mean that either the derivative work is known to be unofficial, or it is not being placed in commerce.

Making the unofficial status known is the most reasonable way to enforce a concern over control of a character. The audience who wants to take a chance on a new author can do so, while those who prefer only to expose themselves to the original author will know to skip it. If the audience knows what is official and what is not, then there should not be any harm to the reputation of the character – It “Didn’t really happen.” To give an artist control over how others present the character is as overly broad as giving them control over how others discuss and analyze the character.

In Dastar v. Fox, The Supreme Court heard a case where the defendant Dastar edited and sold videotapes from a TV series about World War II based on General Eisenhower’s book. The derivative rights were licensed to Fox, who let the copyright expire and the work fall into the public domain. Dastar was accused of reverse passing off – misrepresenting

\[ \text{\textsuperscript{104}} \] However, the idea is hardly new. Legend has it that Virgil’s the Aeneid was a fanfic of Homer’s Odyssey. See Wikipedia, Fan Fiction, http://en.wikipedia.org/wiki/Fanfic (last visited March 14, 2006).


\[ \text{\textsuperscript{106}} \] Pignons S. A. de Mecanique de Precision v. Polaroid Corp., 657 F.2d 482, 486-7 (1st Cir. 1981).


\[ \text{\textsuperscript{108}} \] Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23 (2003).

\[ \text{\textsuperscript{109}} \] Id. at 25-7.

\[ \text{\textsuperscript{110}} \] Id. at 26.
someone else’s product as his own.\textsuperscript{111} Section 43(a) of the Lanham Act covers reverse passing off.\textsuperscript{112}

The court found a distinction between indicating the origin of manufacture, and the origin of the “ideas or communications that ‘goods’ embody or contain.”\textsuperscript{113} While acknowledging a potential distinction when dealing with a “communicative product,” The Court decided that consumers who buy a branded product do not necessarily believe that the company came up with the idea.\textsuperscript{114} The court dismissed the distinction for communicative works to avoid entangling trademark with copyright, which already sets the limits of when the rights of the author (including attribution\textsuperscript{115}) fall into the public domain.\textsuperscript{116} Additionally, the court was concerned with the trouble in tracking the authorship of an uncopyrighted work.\textsuperscript{117}

The Supreme Court, in \textit{Dastar}, based its reasoning on the fact that Dastar used an uncopyrighted work.\textsuperscript{118} The Court specifically noted that the case where the new work credited the author in a way that suggested sponsorship or approval (regular passing off) could be trademark infringement.\textsuperscript{119} Also, the Court noted that the separate clause of the Lanham Act that outlaws misrepresenting the nature, characteristics, or qualities\textsuperscript{120} of the new work would still have operation.\textsuperscript{121} Presumably, when the copyright was still in effect this would outlaw anything that made the consumer believe that the derivative work was made by or endorsed by the original author, in addition to the regular passing off.

The latter way of avoiding trademark law infringement, not using it in commerce, is less of a comfort to authors. If the derivative work is confusing, there really is some chance that the audience would think the author’s version of the world had gone in a direction it never actually did and the author never intended. This problem is almost totally eliminated by the broad set of activities that the courts have established qualify as “in commerce.”\textsuperscript{122} All but the most private and personal activities qualify.

While trademark law frustrates the free use of a known work in a derivative work, it does it in a way that would satisfy the reasonable concerns about a system without any control by the author. Generally, it is best to keep as much division between the trinity of Intellectual Property doctrines as possible to avoid unpredictable results from the combination, but here trademark has already gone through evolution designed to balance the concerns of the artist and public. It would be a good idea to utilize it where the same concerns appear again.

\textit{D. Making an Omelet}

\textsuperscript{111} \textit{Id.} at 27. \textit{See supra} at note 1 for a definition of reverse passing off.\textsuperscript{111}

\textsuperscript{112} \textit{Id.} at 30.

\textsuperscript{113} \textit{Id.} at 31-32.

\textsuperscript{114} \textit{Id.} at 33.


\textsuperscript{116} \textit{Dastar}, 539 U.S. at 33.

\textsuperscript{117} \textit{Id.} at 35.

\textsuperscript{118} \textit{Id.}

\textsuperscript{119} \textit{Id.} at 36.


\textsuperscript{121} \textit{Dastar}, 539 U.S. at 38.

\textsuperscript{122} Larry Harmon Pictures Corp. v. Williams Rest. Corp., 929 F.2d 662 (Fed. Cir. 1991).
From the perspective of copyright holders, a mandatory license takes something away from them. They no longer have the right to control who uses the work. Obviously, as we already have statutory licenses, this isn’t an illegal taking, but it still has the air of something unfair or intrusive. It can appear that the government is forcing people to act in a way they don’t want to act. These concerns come naturally, but they come from a problem of perspective.

First, these concerns come from a flawed temporal perspective. A copyright is not the inherent eternal right of all authors. If the copyright holder truly has something taken, it must be something that was given not too long ago. The copyright can only come from Congress’ granting. The Supreme Court, in Charles River Bridge, held that rights vested by law can be divested retroactively by law.123

The temporal perspective problem is related to the second perspective problem: source. The government is not the source of the copyright; it is only the mechanism by which it is granted. The rights of copyright are not given by contract to the holder, but rather, they are given by a desire to spur creative effort. This is clear from the Constitutional language: the right belongs to the public, who offers it exclusively to authors for a limited time as an incentive to create.

Connected to all of this is the misunderstanding of the nature of the right. A copyright is not the same as a personal property right. If your perspective is not that someone owns a copyright given by the government as a reward, but rather that someone has the copyright rights given as an incentive by the entire American public to create and share124, then there are several reasons for changing the nature of those rights.

The perspective change from copyright law, intending to benefit authors, to intending to benefit the “progress of science and useful arts,”125 means that the law must be evaluated in light of two conflicting goals. Authors must feel it is worth their time, but anything given that is excessive for compelling authors takes away from the entire public for the benefit of one company or person. From a utilitarian paradigm, it makes sense to serve the greatest number of people. Even “taking” from one company would be preferable to taking from the public at large without public benefit. As the goal is to maximize the amount of creative work produced and exposed, reducing the rights in copyright is not a change in policy, but rather is a refinement of the existing solution.

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If copyright law is to adjust, then the necessary question, is “when will changing the rights in copyright law improve its ability to maximize creative production?” Because copyright deals with authors and copyright holders through financial incentives, and we are concerned with maximizing, it is common for someone evaluating a current or proposed copyright law to use an economic analysis. The appeal of this paradigm is that it makes evaluating the public welfare formulaic. The economist focuses on the money, which has the value of being a single, quantifiable, and measurable variable.126 While this paper can’t give the broad concept of

125 U.S. CONST., art. I, § 8, cl. 8.
economic analysis its full due, it will utilize and criticize some of the basic ideas that have been useful to the subject.

Under the economic theory, the government gives copyrights to authors because otherwise the market would not allow authors to recoup costs of making new works of authorship. This problem of *laissez-faire* capitalism is a market failure as the cost is likely greater than the return, and thus authors would not receive enough return from natural market forces to make authorship a financially rational act and the market will fail to induce new works.\(^{127}\) In other words, the value that the market places on the original or official work in a world of legal exact copies is not high enough.

Restricting access to the base works makes it more financially profitable for the base work author, but restricting access adds to the cost of the derivative work as its author must either pay for access or start entirely anew.\(^{128}\) To reduce the cost of some derivative works, the fair use defense theoretically removes the cost of using the base work.

In an economic analysis, derivative works that do not qualify for the fair use defense will be made when the income from the derivative work exceeds the cost. Licensing the derivative right from the author will just add to the cost. Assigning the derivative works right to the author instead of keeping it with the public does not affect the likelihood of production of the derivative work; it only affects the allocation of wealth.\(^{129}\) Landes and Posner additionally argue that taking the financial benefit from the author could delay introduction of the base work while the author prepared the derivative works for simultaneous release so as to capture the profit from those as well.\(^{130}\)

There are two problems with this cost shifting analysis. First, it does not take into consideration the concerns of authors which are not financial, but controlling none the less. People do not always want to put things on the market. Authors often form emotional attachments to their creations, which would inflate the price or even prevent rational evaluation of a licensing offer.\(^{131}\) This is especially true when the derivative work would be critical of the author or would damage the author’s reputation.\(^{132}\) Studies done on libel plaintiffs suggest that, for many people, no amount of money can make ridicule worthwhile.\(^{133}\) In this situation the requirement of permission will always cause a market failure because the copyright will not be given a value by the author that matches the market’s value. To correct this, the requirement of permission must be removed and the price must be set by someone other than the emotional author.

Second, this analysis treats all derivative works as fungibles of equal value to society. The value of a derivative work is not that it is merely an established thing recast, but that it is an established thing recast by new hands. The addition of different minds is what adds to our culture. A harmony (or even cacophony) of multiple voices will present the public with greater range. After all, we’ve seen that the parody uses are certainly not going to come out of the


\(^{128}\) Id. at 774.

\(^{129}\) Id. at 780.

\(^{130}\) Id. at 103.

\(^{131}\) Id. at 105.

\(^{132}\) Id. at 126, at 84.

\(^{133}\) Id. at 103.
original author. Or if they do, they can’t be likely to have the same bite or outsider’s perspective.

Additionally, Landes and Posner’s objection is based on a world where the derivative work author would owe the base work author nothing more than esteem. The critical question is not who has the right, but to where the financial benefit will run. If others having the right to make a derivative work still resulted in a profitable payment to the author (directly or through the increased price of selling the copyright) there would be no financial reason to delay. Also relevant is that the duration of a copyright starts when the work is fixed in a permanent medium of expression. Delaying publication can reduce the exploitable life and thus the market value of the copyright in the original work. Authors must take this reduction in value into account when deciding to delay publication of their work.

There is currently a market failure for derivative works. In cases where the consent is denied because of emotional reasons, the failure is due to the permission requirement. In cases where there would be permission or cases where permission is not required like fair use, there is a failure in the fact that high transaction costs that stem from the uncertainty of the fair use defense or the swarm of small users prohibit otherwise profitable uses. What is required is a way to reduce transaction costs, eliminate the irrational denial of permission, and to set a price guideline (which both reduces the transaction cost of negotiation and prevents prohibitively high prices standing in as a functional equivalent of the irrational author’s denial of permission).

III. Deriving Directions

“I have always found that plans are useless, but planning is indispensable.”
- Dwight D. Eisenhower

In proposing a compulsory license for “informational” works like databases, Professor Ginsburg gave two primary justifications for a compulsory license. First, it reduces the transaction costs. Second, and in her accurate opinion most importantly, it reduces the monopoly power of a copyright so that the owner can restrict access. “Imposition of a compulsory license reflects a legislative judgment that certain classes or exploitations of works should be more available to third parties...than others.”

A statutory license for derivative works would remove the barriers of transaction costs and permission. Derivative works are so important to the progression of American culture that they should be available to third parties who want to exploit them. If derivative works were properly defined, the incentive for artists would be minimally affected, and the potential derivative works author would be able to rely on the statutory license more than on fair use. If the statutory license gave a fair price, it would avoid the danger of delaying the base work for economic reasons.

134 Id. at 103-06; See also, Fisher v. Dees, 794 F.2d 432, 437 (9th Cir. 1986).
135 For works for hire, the copyright term is the shorter of 95 years from publication or 120 years from creation. 17 U.S.C. § 302(c).
136 Though “informational works,” such as databases, are not the same as derivative works, some of the reasoning and analysis of statutory licenses for putting old works to new use is applicable.
138 Id. at 1926.
For the purpose of the statutory license, a derivative work should be distinct from the original. Courts have divided fair use into productive fair use and reproductive fair use. Productive use adds original expression, taking from the base work to reduce the cost but adding to the number of works in culture. Reproductive works add little or no original content, reducing the value of the base work and merely increasing the number of copies. The derivative works promoted by the statutory license must be productive uses of the base work in order for society to benefit more than the artist loses. Thus, the statutory license should only apply to works that have sufficient independent originality. This originality requirement would give a comfortable distance between the two works in the marketplace and maximize the net gain to society. This would also give some clarity to the disagreement in the courts as to how much originality is required for copyright protection of a derivative work made from a public domain work.14

Merely giving a vague requirement such as “sufficient originality” would visit the problems of the fair use defense on a wider range of works. The same ambiguity would increase the danger and, thus, the cost for a derivative work author. On the other hand, being too rigid in the definition is never a good idea where the very purpose is increasing variety and uniqueness in art. Some leeway must be given to the courts for interpretation of facts that are not predictable. The best way to define derivative works loosely while still providing peace of mind is to give definitive answers for specific situations, and a general guide for the unforeseen.

The few truly low-creativity works, like direct copying, verbatim duplication in a different material141, verbatim duplication in a different scale142, and any other specific examples determined by Congress, would not qualify. For the middle ground, the determination is based on the purpose of the statutory license. The work must add to the number works available to the public culture, and it should not displace the demand for the base work without altering that demand. The derivative work’s effect on the value of the base work is not relevant143; the concern is that the derivative work is only supplanting the unchanged demand for the original.

This guide would probably exclude compilations of entire works. While this is unfortunate, as the commentary and selection of a collection can provide a great value to culture, such a limitation is necessary to maintain the incentive for artists. Further consolation can be gained from the fact that much of the value, though none of the convenience, can be gained by publishing the commentary without the entire original works, and also that this use is still permitted when the base works fall into the public domain.144

The determination of price for the license is the other crucial factor. Professor Ginsburg advocates using a “ceiling rate” which would prevent the base work owner from making their asking price so high as to be a de facto abject denial, but would also allow the parties to bargain.145 The advantage of this is that it allows the parties to adjust the price to match the particularities of the use and the fluctuation of the market.146 If the bargaining proves fruitless,

140 This is not to suggest that the definition would be binding outside the statutory license, but courts would be free to adopt it for other uses.
143 If a parody awakens the public to the undesirable aspects of the base work, this would decrease its value, but it would not displace the demand for it in a way that was not permitted.
144 An event that hopefully will occur, despite what current trends suggest.
145 Ginsburg, supra note 137, at 1932.
146 Id. at 1933.
then the parties would be able to request a judicial determination of a fair rate. Professor Ginsberg also mentions a system where the final offers from the parties are a binary choice for the court. This would discourage a party from making an unreasonable offer, since the court will not select that party’s offer.

Taking the last suggestion first, the incentive to propose a reasonable offer only exists if the other side proposes a reasonable offer. If the court only has two choices, an equally rational strategy is to both submit unreasonable offers and hope that the court will choose your windfall over theirs. More problematic is the fact that the very idea of broad negotiations that must fall back to judicial determinations eradicates much of the value sought by a statutory license. The transaction cost is still high, as each side has a clear incentive to pay for costly professionals to negotiate on their behalf in a courtroom. That incentive becomes a necessity once the other side does so. The expense and time of a court case still would loom over the potential derivative user. Most troubling is that the goals of Professor Ginsburg’s ceiling rate system appear to not require the system.

As seen in the way artists have used the mechanical license, setting an actual rate in the statutory license still allows the parties to negotiate, adjust for specific facts of the use, and open up the works to use by third parties. The mandatory license compels cooperation, but not use of the statutory license. The strictness of the license is an incentive to come to terms while relying on the statutory license as a fall back option.

Like the mechanical license, the CARPs would have the duty of setting the rate schedule of the derivative works statutory license. The goal in setting the price would be to set it low enough that the derivative license is available to a wide number of disparate authors, while setting it high enough that authors will still produce the base works without delay. This will likely need to incorporate a number of variables. A “smaller” use can’t cost the same as a “larger” use or else the calculus will skew toward large uses. The most appropriate standard upon which to base the rates would be cost per “impressions.” For most commercial uses this would be the number of units sold. This also, however, has the flexibility to deal with temporary licenses of works, public exhibitions, or other uses which don’t fit the lump sum direct sale model. Additionally, the unique markets that exist for different forms of media must be reflected. If people simply won’t pay as much for a song as a video game, the cost can’t be the same.

The user who wants to take advantage of the statutory license for derivative works, but can not identify the copyright holder with due diligence would put the license fees into a trust fund for when the author sought payment. If the author did not appear within a reasonable amount of time, the user could regain those fees.

The license should be clear that it does not replace or displace any other available defense, such as fair use or the First Amendment. These rights belong to the American public and continue unabated. For those who feel their case makes risking the ambiguity of these defenses worth the total avoidance of cost, they can still choose that path. However, as the license must be exercised before publication, that choice is binding. The license should also require that the work be labeled with a clear declaration of the identity of the author or source. This will make sure that trademark law will prevent consumer confusion.

The drafting of a statutory license is controversial and necessarily heavy handed. It is not to be used lightly. In the case of derivative works, however, there is a real possibility of

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147 This concept is taken from the Internet where advertisers pay based on the number of times a web page is loaded with their ad.
American culture stagnating or even shrinking. Statutory licenses have proven to reduce transaction costs while providing flexibility to the parties. A statutory license for derivative works would make a strong and necessary statement that the people of America both value and demand freedom of creativity.