Derivative Works: Who Owns What?

Courts have recently been busy dealing with the puzzling concepts of derivative works, fair use, and transformation. "Transformation" is the underlying principle of derivative works created either by the author or licensees with the author's permission; or created without the author's permission legally under the fair use doctrine. There are two sets of rights granted to copyright owners under the Copyright Act of 1976: the primary rights under section 106 ("exclusive rights in copyrighted works"); and the implicit right of others to make "fair use" of the original under (section 107, "limitations on exclusive rights.")

Through their copyrights authors control reproduction and distribution of their works, always subject to rights granted to licensees. Authors also have the exclusive right "to prepare [or authorize] derivative works based upon the copyrighted work." The paradigmatic examples of derivative works are those listed in the Copyright Act (section 101):

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. (Emphasis added)

In the Authors Guild case against Google recently decided by the U.S. Court of Appeals for the Second Circuit in Google's favor (affirming the judgment of the district court) plaintiffs contended that "Google had usurped [authors'] opportunity to access paid and unpaid licensing markets for substantially the same functions that Google provides." Since 2004, Google "has scanned, rendered machine-readable, and indexed more than 20 million books, including both copyrighted works and works in the public domain." Plaintiffs' theory was that digitizing copyrighted books is equivalent to preparing derivative works which cannot be lawfully done without the author's permission, under terms mutually agreeable to the author and licensee.

Copying without permission infringes authors' exclusive rights, but copying which fulfills the underlying policy of copyright is not unlawful. Ever since copyright was first established in Great Britain there has existed a tension between two interests, authors and society. Judge Leval writing for a unanimous bench in the Google case observed that "[f]or nearly three hundred years, since shortly after the birth of copyright in England in 1710, courts have recognized that, in certain circumstances, giving authors absolute control over all copying from their works would tend in some circumstances to limit, rather than expand, public knowledge." One expression of the tension was the slow development under common law of fair use, that was finally incorporated into statutory law in the 1976 Act. The Google case is a primer on the right balance between the two interests.

One of the fundamental questions about fair use when it involves more than copying limited passages from the original for "purposes such as criticism, comment, news reporting, teaching . . . scholarship, or research" is that an entirely new work comes into being; or, as in the case of digitizing books, is deemed fair use for the intended purpose of augmenting public knowledge.

The difficulty is that the term "transformative" can be applied to both an author's exclusive derivative right and a fair use of the original: one involves transformation to another medium while

the other uses the original in such a manner that it is not an infringement of the copyright. Judge Leval observed that "the word 'transformative,' if interpreted too broadly, can also seem to authorize copying that should fall within the scope of an author's derivative rights. Attempts to find a circumspect shorthand for a complex concept are best understood as suggestive of a general direction, rather than as definitive descriptions."

The answer to this "complex concept" is finding the right balance between conflicting rights. Authors are entitled to all the rights afforded under copyright law, but not to the exclusion of the public good. First of all, "[n]othing in the statutory definition of a derivative work . . . suggests that the author of an original work enjoys an exclusive derivative right to supply information about that work of the sort communicated by Google's search functions." In other words, Google has not copied the works for themselves but for the purpose of establishing a searchable database.

This type of "transformation" in no way diminishes authors' rights but rather supports an independent creation. In contrast the "generally understood" type of transformation that is within the protectable ambit of the Copyright Act "encompass[es] changes of form [meant] to produce derivative works, rather than fair uses." For example,

[w]hen a novel is converted into film . . . the original novel and the film ideally complement one another in that each contributes to achieving results that neither can accomplish on its own. The invention of the original author combines with the cinematographic interpretive skills of the filmmaker to produce something that neither could have produced independently.

Any use of the original work that offends the generally understood concept of transformation from one form to another trespasses on authors' rights.

The fair use doctrine places limits on copyright in that it permits others to use the original for the purpose of creating something different, which by definition is non-infringing. A much used example of fair use is parody. In finding fair use for Google's digitizing of copyrighted books Judge Leval relied on the reasoning of the U.S. Supreme Court which he paraphrased as follows: "when a secondary work quotes an original for the purpose of parodying it, or discrediting it by exposing its inaccuracies, illogic, or dishonesty, such an undertaking is not within the exclusive prerogatives of the rights holder; it produces a fair use." In the same way that parody is non-infringing so too is Google's making of digital copies to provide a searchable database. The transformation is based on "augment[ing] public knowledge by making available information about Plaintiffs' books without providing the public with a substantial substitute for matter protected by the Plaintiffs' copyright interests in the original works or derivatives of them." (Emphasis added)

This analysis answers the remaining significant question in the negative: Google has done nothing that negatively affects the value of the original work. Plaintiffs also raised the possibility that hackers could find a way of infiltrating Google's server and cause their works to be offered for free downloading. The Court rejected this argument and found that Google's program which limits what a searcher can see from the digitized book did not "expose Plaintiffs to an unreasonable risk of loss of copyright value through incursions of hackers [downloading copyrighted works]."

The Authors Guild's petition to the U.S. Supreme Court for certiorari to appeal the order of the Second Circuit was denied, so there will be no third act.