Transformative Use of Copyright Material

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The work contained in this thesis has not been previously submitted to meet requirements of an award at this or any other higher education institution. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made.

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Chapter I. Introduction

1. Executive summary

This thesis concerns the ability of individuals to engage in transformative use of copyright expression without the permission of the copyright owner. Transformative use refers to the use of existing expression as an input into the creative process, resulting in the creation of new expression that, while still embodying elements of the original work, is original in its own right. This type of creativity is beneficial for society and should be encouraged. Individuals should have the ability to express themselves, and participate in the interpretation of their culture.

My enquiry has shown that Australian law does not facilitate transformative use. Many forms of transformative expression are not currently permissible without the express permission of the copyright owner. Copyright theory, however, is not in accordance with such a prohibition on transformative use. I will suggest some legislative and judicial reforms to Australian copyright law that can have the effect of encouraging transformative expression, while at the same time providing an economic incentive to invest in creative expression and protecting the legitimate interests of creators in their works.

The primary modification I suggest is that the definition of 'substantial part' in the *Coypright Act 1968* (Cth) should be read, in accordance with the interests served by copyright, to allow a consideration of the context in which copyright material is taken. The seeds of such an approach are present in modern judicial interpretations; the discussion that follows attempts to show how such an approach accords with copyright theory, and why it should be preferred by the judiciary. Firstly, with respect to the economic rights, transformative uses of copyright material which are not substitutable for the original expression should not be found to reproduce a substantial part of the original. Secondly, questions of substantiality in the moral rights should be interpreted to protect authors from unreasonable commodification of their works. To

the extent to which it is unclear how the right of integrity applies to the context in which a work is used, as opposed to the modification of the work itself, I submit that it should be interpreted such that authors have a right to object to the commercial association of their work with a position, product, or service against their will.

Alternatively, I submit that legislative reform to include an open ended defence to copyright infringement could provide much needed flexibility in the Australian system. Such a defence could draw primarily on the US 'fair use' defence, but certain limitations of the US defence could be overcome in an Australian context. Again, as the theory shows, the primary consideration for infringement of the economic rights in transformative uses should be the degree to which the transformative use is substitutable for the original.

Finally, I submit that the reasonableness defence to infringement of the moral right of integrity should be read in such a way as to ensure that the personal interests of authors does not interfere with the legitimate self-expression of future authors. I will show that the theory does not support moral rights to the exclusion of either the ability of future authors to self-actualise. The operation of the reasonableness defence should be clarified to ensure that the legitimate interests of both past and future creators are recognised.

2. Outline of thesis

This thesis begins with the assumption that transformative use of existing expression is beneficial for society. The second chapter briefly considers the basis for that assumption, canvassing benefits to autonomy, democratisation of speech, and the importance of allowing individuals to interact with their environment, even if that environment is heavily constructed from copyright expression. This chapter argues that enlarging the number and range of speakers and increasing the flexibility of meaning provides benefits for democratic social discourse. This argument is then extended further, to the principle that social discourse can only legitimise the exercise of power in a democracy if the dominant expression is able to be deconstructed; and, that one of the most effective ways to deconstruct the hegemony of expression is to

permit individuals to engage in the modification of meaning through transformative use of that expression. Finally, this chapter concludes with the argument that if society is largely constructed through copyright expression, but copyright material is removed from the realm of available inputs into creative expression, individuals can become alienated through the loss of the ability to interact with and represent their environment.

The third chapter considers some recent examples of transformative uses which have been restrained through the effect of copyright law, drawing attention to the fact that the ability to engage in transformative re-expression is virtually non-existent in Australia. The examples cover areas of remixing and sampling of music, appropriation of television broadcasts as seen in *The Panel*,[1] questions of copyright liability for roleplaying with characters from popular culture in Massively Multiplayer Online Role-Playing Games (MMORPGs), and the use of computer games as an engine for creativity in the animation genre called 'Machinima'. This chapter also introduces the current state of Australian copyright law, as a platform from which advances can be proposed in Chapter Five.

Chapter Four considers the theoretical basis upon which copyright law rests, in order to determine the proper extent of the power of authors and copyright owners to prevent transformative use of their expression. The first theory considers the utilitarian justification of copyright, that copyright law provides the necessary economic incentives required for creativity. The second theory is derived from Hegelian personality theory, that an author has a personal moral interest in the work that he or she creates, as an extension of the author's self. The third theory considered is the Lockean labour/desert justification of intellectual property, that a person who exerts themselves to create original expression from the commons deserves a property interest in that expression. Finally, these theories are reconciled, as far as they are able, to provide some guiding principles for the application of copyright law to transformative works. In cases of conflict, the approach that

1 *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd* (2004) 218 CLR 273; *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd (No 2)* (2005) 145 FCR 35.

maximises social and democratic interests prevails.

Chapter Five takes the principles enunciated in Chapter Four, and attempts to apply them to copyright law in Australia. This chapter argues for change to specific areas of copyright law to better accommodate the theory on transformative use. Firstly, this chapter argues that the definition of 'substantial part' should be broadened to take into consideration the context within which copyright material is reused before it is deemed infringing. This approach is preferred on the basis that it both accords with common law principles and allows Australian copyright law to evolve without necessitating legislative intervention. This chapter also argues that the fair dealing defences should provide a broader interpretation of 'criticism', 'review', and 'news', in order to better accommodate transformative use, or, alternatively, that an express legislative exception for parody, caricature, and pastiche, is introduced. In the event that modifying the definition of 'substantial part' is not acceptable, this chapter argues in the alternative that a broad, open-ended fair-use style defence to copyright infringement be introduced. Finally, the extent of the moral right of integrity is considered, with a view to both limiting the ability of authors to object to the expression of new authors, and also increasing the protection that authors receive from commodification of their work.

The final chapter provides a summary of the principles and recommendations discussed in this thesis. It is hoped that this thesis can provide a useful guide to courts and policy makers in understanding the theoretical basis upon which copyright law exists, and the extent to which the theory requires greater accommodation for transformative use of existing expression. The legislative and judicial advances presented are intended to provide a sound balance between necessary protection of the interests of authors and publishers on the one hand, and those of future authors on the other.

3. Methodology

This research has been carried out from a number of primary legislative and judicial materials, and a large range of academic writings. Extensive use has been made of online reference tools and legal databases, and

other internet resources. Given the international nature of copyright law, a large proportion of material has been drawn from Commonwealth jurisdictions, the United States, and French copyright law and discourse. The focus, however, has remained on Australian law, and the evolution of Australian copyright law subject to international and theoretical influences.

4. Terminology

Several key terms are used throughout this thesis which may need some explanation for clarity:

- 'expression' is used as a general term to refer to the subject matter of copyright, including the broad range of original literary, artistic, dramatic, and musical works, as well as other subject-matter including broadcasts, sound recordings, films, and published editions.
- 'work', unless otherwise noted, includes references to each of the above types of subject matter, and is used interchangeably with 'expression'.
- 'author' is used in the broad sense in which it is used in the *Copyright Act 1968 (Cth)* to refer to the creator of a work for the purposes of moral rights, being the author of a literary, dramatic, musical, or artistic work, or the maker of a cinematograph film.
- 'transformative use', 'transformative work' refers to use of existing material which extends beyond the mere repackaging of that material, to the creation of some new expression. It generally connotes a high level of original expressive input on behalf of the transformative user, and the resulting expression should properly be seen as being that of the new author and not the author of the input material.
- 'personal work' means work which is created in such a way that the author feels a strong personal relationship to the work.
- 'fungible work', on the other hand, means work which is created in a purely commercial setting, usually under the direction of another, and to which the author feels no special attachment apart from the

labour expended. The distinction between personal and fungible work is not simply one of commercial quality – the mere presence of commercial interests does not prevent an author from feeling a strong personal relationship to the work, and the absence of any such interests does not imply that such a personal relationship exists.

Chapter II. Desirability of transformative use

New technologies are reducing both the costs of creation and the costs of distribution of creative material, giving more people the opportunity to speak and be heard.[2] The ability to reuse existing expression makes that opportunity a reality for many people. The ability to remix means that expression costs less, is more accessible, and is more diverse. It also means that individuals are able to become involved in the way their culture develops, and allows them to engage productively with the media that permeates their existence. However, mainstream copyright discourse has focused, to a large extent, on the risks that technological changes pose to copyright owners. As a result, the benefits that these same technological changes can potentially bring to consumers, creators, and society, have been under-explored.

New digital technologies make it easier to remix, edit, mashup, sample, and transform electronic media. Copies of digital media are exact reproductions of the original, but when changes are made to a copy of a digital work, the changes merge with the existing expression to create a new work. Working with digital media allows for much easier re-arrangement of works than traditional media. Perfect reproductions can be made instantaneously; they can then be dissected and put back together, and can be seamlessly transformed into new works.

Digital transformation is not limited to text or images. All digital media is represented as a string of digits – sound, video, images, and text can all be manipulated in the same way, and indeed in ways never before possible. Mathematical transformations can be applied to all media, allowing for operations varying from the manipulation of photographs to

2 Siva Vaidhyanathan, "Cultural Production in a Digital Age: Remote Control: The Rise of Electronic Cultural Policy" (2005) 297 *The Annals of The American Academy of Political and Social Science* 122.

the transposing of images to sound or vice versa, and much more.[3] This type of manipulation allows a user to take any digital media as input and use it to create his or her own expression.

Computing power is continuously increasing, while the price of powerful consumer equipment is falling rapidly. Digital media is easy to work with on consumer grade equipment. High quality digital works can now be produced and remixed in garages and offices around the world. There remains a large cultural and technological divide between information 'haves' and 'have nots', but there is no doubt that more and more people are gaining access to computer equipment which gives them the power to experiment with digital media.

The increase in availability of computing power and internet access has also increased the potential for what the copyright industries call 'piracy', the large scale perfect reproduction of music, films, books, and software. The ease with which copyright is infringed in the digital environment has led copyright owners to call for tighter control over their material. Both the scope and duration of copyright has broadened in recent years.[4]

Now we are at a point where the ability exists for an unprecedentedly large number of people to manipulate copyright material and create their own expression from the building blocks of digital media. With this opportunity comes a responsibility to determine where the line will be drawn between users and owners of copyright material. This is a

3 For an example of creating sound from images within the work of Aphex Twin and others, see 'The Aphex Face', bastwood.com <http://www.bastwood.com/aphex.php> at 04 December 2005. For a detailed description of a programme which provides a way to "compose in a visual manner with sound", see August Black, 'SynthBilder', <http://aug.ment.org/synthbilder/paper/synthbilder201a.pdf> at 04 December 2005.

4 Some of the most recent legislative changes in Australia include extending the copyright term by twenty years (*US Free Trade Agreement Implementation Act 2004* (Cth) Schedule 9), liability introduced for dealings with devices designed to circumvent technological protection measures (*Copyright Amendment (Digital Agenda) Act 2000 (Cth)*), introduction of an exclusive right of communication to the public (*Copyright Amendment (Digital Agenda) Act 2000* (Cth)), introduction of moral rights for authors (*Copyright Amendment (Moral Rights) Act 2000* (Cth)), and increased criminal liability for dealings with copyright material on a "commercial scale" (Schedule 9, *US Free Trade Agreement Implementation Act 2004* (Cth)).

question about digital constitutionalism. It is about what rights people will have to remix in the digital environment. We know that new technologies provide individuals with the technical power to build on existing expression, and must determine to what extent that power should be limited by copyright law.

This chapter will briefly consider some arguments underlying the basic assumption of this thesis, that encouraging transformative use of existing expression is desirable and beneficial to democratic society. The first of these arguments is the principle that freedom of expression is a fundamentally important facet of individual autonomy, and that allowing remixing lowers the barriers to expression. The second is that transformation of existing expression encourages diversity of meaning, which is beneficial to a democratic culture. The final argument is that since our reality is partly constructed through copyright expression, denying individuals the ability to break down that simulacra alienates individuals from society and encourages a reality constructed by corporate interests. It will be argued that each of these considerations support the proposition that transformative reuse of existing expression should be encouraged in a democratic culture.

1. Autonomy

The first reason to encourage remixing is that it is efficient. Quite simply, iterative expression is faster than creation ab initio. By using existing expression as the raw materials for new expression, the new author avoids duplicative work. Production costs are lower if at least some of the building blocks of any given production come ready-made.

Films, for example, are very expensive to produce. A filmmaker can save on production costs if she is able to reuse existing footage. Or she can save on animation costs by using an existing video game as the virtual world within which her film is set. She can also save on composing and recording costs by selecting and integrating suitable songs and other sound recordings into the soundtrack.

If a person uses someone else's expression as the raw materials for their own work, they will have saved some time and effort by building on existing materials rather than starting from nothing. If our only concern

were efficiency, disregarding questions of incentives required to create the original works, and any natural rights in expression, then unnecessary duplication of effort can be avoided by allowing creators to reuse other people's expression.

This argument is quite difficult to make in today's information economy. The suggestion that people should be able to 'free-ride' on the work of others, solely on the basis that it is cheaper, is not well received by the copyright industries. As discussed in the next chapter, however, copyright is not like personal property; particularly, the use of copyright material is not like stealing. The use of copyright material by a transformative user does not necessarily lessen the value of that material to the copyright owner. Copyright is a State-granted monopoly, and that monopoly has limits. It may be that certain uses of copyright material should be permissible on the basis of creative efficiency, and if the theory supports that position, the grant of the copyright monopoly can, and should be, tailored accordingly.

Less effort does not just mean that some people will have to pay less to express themselves. It means that some people who would not otherwise have the ability to express themselves in a particular medium are empowered to do so. While the aforementioned filmmaker may not have the technical expertise, or the financial resources, to obtain actors, crew, lighting, props, cameras, and film stock, she may be able to use relatively inexpensive editing equipment to create her film from a base of existing media, or at least mix some of her production with existing media.

If licences are required to engage with copyright material, there will often be users who cannot obtain permission, either because the cost is too high, or the copyright owner refuses to negotiate. Netanel notes that in these cases, freedom of speech is immediately restricted, and media control of expression is concentrated:

> Copyright provides the conglomerate content provider with a continuing incentive to build upon its inventory to create new speech of the conglomerate's choosing. But at the same time, a non-conglomerate user who might have otherwise created new expression, or simply benefited from gaining access to existing

> expression, has effectively been prevented from doing so.[5]

This, Netanel argues, is a static entry barrier imposed on prospective individual speakers.[6] Corporate copyright owners are accorded a significant market power over expression, and that market power "may often burden speakers' ability effectively to express ideas."[7] The problem is further accentuated by the dynamic effect of the copyright system:

> Since all speech incorporates inputs, learning, or inspiration from prior speech, those who own exclusive rights in vast inventories of expression enjoy economic advantages over those who do not. In creating new expression, media conglomerates can use their existing inventories at their negligible marginal cost. Non-conglomerates, including individuals, educational institutions, non-commercial media, and independent publishers, must generally pay the copyright-buttressed supracompetitive price for existing expressive inputs to their new expression. The more non-conglomerates must pay for such expressive inputs, the more costly is their expressive activity relative to that of media conglomerates. With an expanded copyright, therefore, conglomerate expression will increasingly dominate over non-conglomerate. Over time, indeed, one would expect that speakers and expressive activity will move from the non-conglomerate sector to the conglomerate, further spurring media concentration.[8]

5 Neil Netanel, Market Hierarchy and Copyright in Our System of Free Expression (2000) 53 *Vanderbilt Law Review* 1879, 1905.
6 Ibid 1906.
7 Ibid 1911.
8 Ibid 1912.

With the ability to build upon existing material, without the need to seek permission or pay royalties, creators have the potential to produce a much larger range of expression than they otherwise could. Without this ability, centralised control of expression increases, resulting not only in less diverse expression, but also in a limited ability for individuals to express themselves.

The ability for individuals to express themselves creatively is important for democratic visions of individual autonomy. Democracy depends on the ability of individuals to control their own destinies.[9] Benkler notes that

> a law that systematically gives one person or class of people control over the information flows that make up the information environment within which others live is a law that suffers an autonomy deficit. To the extent that a law increases the opportunities for one person to manipulate the information another person receives, so as to make that other hew more closely to a life plan set by the manipulator, the law violates the autonomy of the person whose information is so manipulated.[10]

Allowing transformative speech is beneficial for individual autonomy, not only because it provides individuals with the ability to receive far more diverse speech, but because it encourages individuals to become more active participants in democratic society, and increases the ability of individuals to determine the course of their own life.[11]

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9 Christopher Yoo, "Copyright and Democracy: A Cautionary Note" (2000) 53 Vand L Rev 1933, 1957; Yochai Benkler, "Through the Looking Glass: Alice and the Constitutional Foundations of the Public Domain" (2003) 66 *Law and Contemporary Problems* 173, 189.

10 Yochai Benkler, "Through the Looking Glass: Alice and the Constitutional Foundations of the Public Domain" (2003) 66 *Law and Contemporary Problems* 173, 189.

11 See William W. Fisher III, Property and Contract on the Internet (1998) 73 *Chicago-Kent Law Review* 1203, 1217 ("In an attractive society, all persons would be able to participate in the process of meaning-making. Instead of being merely passive consumers of cultural artifacts produced by others, they would be producers, helping to shape the world of ideas and symbols in which they live."); Jack Balkin, 'Digital Speech and Democratic Culture: A Theory of Freedom of Expression for the Information Society' (2004) 79 *New York University Law Review* 1, 3; see further Yochai Benkler, "Free as the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain" (1999) 74 *New York University Law Review* 354, 381-3.

Apart from diversity of speakers, we should also encourage diversity of meaning. This refers not to the quantity, but quality of speech. Transformative re-expression means that meaning is not fixed in the original expression, and that individuals have a real opportunity to participate in shaping the environment that shapes society. Transformative use is therefore about allowing individuals to participate in the meaning making process. By allowing individuals to re-express the speech of others, they are able create a more vibrant, dynamic environment.

When existing expression is transformed into the expression of another member of society, it can stimulate criticism, commentary, and discussion of the original expression. The transformative expression is important not only intrinsically as new expression, but because it provides for robust debate and the questioning of cultural hierarchy.[12] All of society benefits from the ability of individuals to "reformulate and challenge the social meaning of cultural icons".[13]

Balkin argues that community participation is important in supporting a democratic culture - "a culture in which individuals have a fair opportunity to participate in the forms of meaning making that constitute them as individuals."[14] Important in a democratic culture is the ability to "appropriate elements of culture that lay to hand, criticize them, build upon them, and create something new that is added to the mix of culture and its resources".[15] As individuals communicate, they "become the architects of their culture", building on the work of others before them, and shaping the world of others to come.[16]

It is this cultural interaction which is to be encouraged. Participation in culture is important because individuals are created through culture – participation in shaping culture therefore means participation in shaping

12 Neil Netanel, "Copyright and a Democratic Society" (1996) 106 *Yale Law Journal* 283, 296.
13 Ibid.
14 Jack Balkin, "Digital Speech and Democratic Culture: A Theory of Freedom of Expression for the Information Society" (2004) 79 *New York University Law Review* 1, 3.
15 Ibid 4.
16 Ibid 5.

oneself.[17] Encouraging the participation of individuals in culture means that our culture is not under the sole control of the political or cultural elite. Democratising speech means making it possible for all people to participate in their culture.[18]

2. Diversity

Decentralisation of speech, and the diversity that it brings, is also qualitatively important for democracy. Neil Netanel notes that "in the long run, only diverse and antagonistic sources will likely give play to a full panoply of competing views";[19] such diversity is important for any true democracy in order to make decisions that are representative of the society. Niva Elkin-Koren argues that decentralisation of speech is accordingly important because democratic institutions derive legitimacy through social discourse.[20] However, because "social dialogue cannot occur independently of domination by relations of power",[21] social discourse cannot be used to legitimise the exercise of power by state institutions. Only by recognising the Foucauldian critical insight that power can be, and is, exercised on all levels of society can deliberative social discourse legitimise the exercise of power. Accordingly, in order to achieve democracy, "it is necessary that all those who are affected by norms of action be able to participate in their creation."[22]

Lawrence Lessig and James Boyle each remind us that power in the digital environment is continuously and transparently executed by private actors with their own agendas.[23] The main messages that are heard are those of the dominant power relationships. Copyright is one of

17 Ibid 33.
18 Ibid 42.
19 Neil Netanel, "Market Hierarchy and Copyright in Our System of Free Expression" (2000) 53 *Vanderbilt Law Review* 1879, 1881.
20 Niva Elkin-Koren, "Cyberlaw and Social Change: A Democratic Approach to Copyright Law in Cyberspace" (1996) *14 Cardozo Arts and Entertainment Law Journal* 215, 224.
21 Ibid 226.
22 Ibid 231.
23 See Lawrence Lessig, "The Law of the Horse: What Cyberlaw Might Teach" (1999) 113 *Harvard Law Review* 501; James Boyle, Foucault in Cyberspace: Surveillance, Sovereignty, and Hardwired Censors (1997) 66 *University of Cincinnati Law Review* 177.

the tools through which this hegemony of expression is protected.[24] The power to stop the use of one's expression in ways which do not reflect a particular point of view is extremely potent, especially if media concentration is such that many of the owners of copyright share the same paradigm.[25]

While it is possible for individuals to speak without appropriating existing cultural expression, the message is often less potent. Netanel notes that

> [e]xisting works of authorship comprise and contain a significant part of the language, understandings, standards, and norms of social and professional groups. Without access and the ability to borrow from and refer to key representative works, authors can neither participate in the joint conversation that defines their social or professional group nor, in some cases, successfully engage a mass audience.[26]

There is power in changing the meaning of popular expression, due precisely to the fact that it is popular and well recognised by the audience. Copyright, to the extent that it prevents unlicensed transformative use, favours those whose message is already being

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24 See Yochai Benkler, "Free as the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain" (1999) 74 *New York University Law Review* 354, 377-8: "concentrated systems can be expected to produce different information than decentralized systems. In particular, they are likely to exclude challenges to prevailing wisdom that are necessary for robust political discourse." Further, "concentrated commercial systems tend to translate unequal distribution of economic power in society into unequal distribution of power to express ideas and engage in public discourse" (at 378); see also Benjamin R Barber, 'The Market as Censor: Freedom of Expression in a World of Consumer Totalism" (1997) 29 *Arizona State Law Journal* 501, 505 ("If we fail to acknowledge the hidden and soft forms of censorship found in the marketplace, we ignore a peril to both community and individuals, a peril nearly as invidious as, because so much less obvious, than that of tyrannical governments").

25 Neil Netanel, "Market Hierarchy and Copyright in Our System of Free Expression" (2000) 53 *Vanderbilt Law Review* 1879, 1895 ("Neoinstitutional economics literature suggests, however, that a concentrated market composed of large integrated firms will often underproduce controversial and minorityoriented content even if rational actors would do otherwise."); cf Christopher Yoo, "Copyright and Democracy: A Cautionary Note" (2000) 53 *Vanderbilt Law Review* 1933 (challenging the assumption that media concentration necessarily decreases diversity, on the basis that monopolies are more likely to satisfy a broader range of consumer demand).

26 Neil Netanel, "Market Hierarchy and Copyright in Our System of Free Expression" (2000) 53 *Vanderbilt Law Review* 1879, 1908-9.

heard. Not only is this concentration likely to under-represent minority interests, but it may also "help to engender a widespread sense of complacency and a diminished capacity to envision potential challenges to the status quo."[27]

Flexibility of meaning means that individuals are able to construct their own text out of the mass of social information.[28] Appropriation of dominant expression allows critical and subversive speech to be heard. The use of popular culture as a weapon of criticism or illumination provides an indispensable tool to help free social dialogue from the captivity of the cultural and political elite. Cheap speech and the ability to remix are increasingly allowing "individual, poorly capitalized players to produce works that are competing for attention with the works created by corporate and highly capitalized players".[29]

Recognising that transformative speech is both cheap and diverse leads us to the suggestion that it can affect decentralisation of speech. Remix is interactive, allowing users to become creators, and shifting meaning-making power from authors to users. Easy and cheap transformative re-expression expands the circle of creators and weakens the privileged position of the information elite, which removes centralised controls on the flow of information.

3. Simulacra

The final justification for encouraging transformative use of expressive material is based on the recognition that significant parts of our reality are actually constructed by the media we are continuously exposed to. Baudrillard presents a nihilistic analysis of the power of the media, where advanced information technologies now substitute entirely for reality:

> Abstraction today is no longer that of the map, the double, the mirror or the concept. Simulation is no longer that of a territory, a

27 Ibid 1883-4.
28 Niva Elkin-Koren, "Cyberlaw and Social Change: A Democratic Approach to Copyright Law in Cyberspace" (1996) *14 Cardozo Arts and Entertainment Law Journal* 215, 236.
29 Hunter and Lastowka, "Amateur-to-Amateur" (2004) 46 *William & Mary Law Review* 951, 989.

> referential being or a substance. It is the generation by models of a real without origin or reality: a hyperreal. The territory no longer precedes the map, nor survives it. Henceforth, it is the map that precedes the territory - precession of simulacra - it is the map that engenders the territory [...] The real is produced from miniaturized units, from matrices, memory banks and command models - and with these it can be reproduced an indefinite number of times. [30]

Reality becomes constituted by the all-encompassing media images. The needs, desires, and opinions of society become constructed by the forces of capital.[31] Nick Dyer-Witheford notes that Baudrillard's analysis "registers a situation in which control of the media often (if not as uniformly as [Baudrillard] suggests) gives established power the capacity not just to promulgate specific beliefs and values, but to set the very parameters of perception."[32]

Democratic participation in such a simulated reality is difficult. Negri and Hardt argue that the disintegration of democratic institutions has been hidden by the "construction of an artificial world that substitutes for the dynamics of civil society":[33]

> Through the mediatic manipulation of society, conducted through enhanced polling techniques, social mechanisms of surveillance and control, and so forth, power tries to prefigure its social base.[34]

Dyer-Witheford notes Negri's suggestion that the task of opposition to such a simulacra is "reimposing the principle of reality".[35] This task is "an important affirmation of the possibility of distinguishing between truer and falser depictions of reality – in the sense of identifying more or less coherent and comprehensive accounts, and more or less manifestly self-

30 Jean Baudrillard, 'Simulacra and Simulations', in Mark Poster (ed), *Jean Baudrillard, Selected Writings* (1988), 166.
31 Nick Dyer-Witheford, *Cybermarx: Circuits and Struggles in High Technology Capitalism* (1999) 379.
32 Ibid.
33 Michael Hardt and Antonio Negri, *Labor of Dionysus: A Critique of the State Form* (1994) 268; quoted in Dyer-Witheford, *Cybermarx: Circuits and Struggles in High Technology Capitalism* (1999), 380.
34 Michael Hardt and Antonio Negri, *Labor of Dionysus: A Critique of the State Form* (1994) 271; quoted in Dyer-Witheford, *Cybermarx: Circuits and Struggles in High Technology Capitalism* (1999), 380.
35 Nick Dyer-Witheford, *Cybermarx: Circuits and Struggles in High Technology Capitalism* (1999), 381, citing Negri, *Revolution Retrieved* (1988), 192.

interested narratives."[36]

Transformative use of the media that permeates (or defines) our existence can be viewed as deconstructing the simulacra.[37] Through individuals imposing their own reality, the simulation loses coherency and uniformity. Even without conscious deconstruction, it is arguable that artists who use the media that is so pervasive in society are simply exercising their rights to represent their environment, albeit an artificially created environment.

So much of our discourse now depends on popular cultural expression that if it were to be removed from the realm of artefacts we can represent, we effectively starve ourselves of the raw materials that fuel creativity. As Wendy Gordon recognised, a renaissance painter could paint a landscape without infringing on anyone's intellectual property; now, however, a modern painter finds it very difficult to depict reality without reproducing copyright expression. Gordon argues that

> [a] painter in the modern city should be as able as the cave painter to depict and interpret her surroundings, even if in the modern worlds many of the things she sees are artifacts created by others. That a first creator has labored is not a sufficient ground to justify giving her a right to keep others from achieving their proper goals.[38]

References from popular culture have become such a part of our existence that they merge into our daily discourse. Beyond just direct criticism or commentary, this often takes the form of appropriation – acting out, imitation, taking expressions and references from the media and using them almost unknowingly.

Without the ability to engage in transformative re-uses of popular

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36 Nick Dyer-Witheford*, Cybermarx: Circuits and Struggles in High Technology Capitalism* (1999), 381; Brian Fitzgerald provides a positive view of cyberspace as simulation, arguing that instead of obscuring the lack of reality, the new simulation becomes an "avenue of liberation", opening up the possibilities of a plurality of existence (Brian Fitzgerald, "Life in Cyberspace: A Simulating Experience" (1997) 3 *Computer and Telecommunications Law Review* 121).

37 On deconstruction, see Jacques Derrida, *Writing and Difference* (A Bass trans, 1978); Jack Balkin, "Deconstructive Legal Practice" (1987) 96 *Yale Law Journal* 743.

38 Wendy Gordon, "A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property" (1993) 102 *Yale Law Journal* 1533, 1577-8.

material, authors lose a large segment of the subject matter from their daily lives. If the media permeates our culture to such an extent that it is used in our daily lives, there is a serious discrepancy when we are not permitted to represent that material outside of informal settings where there is little chance of being sued for copyright infringement.

A necessary part of cultural democracy involves the right to play[39] with and manipulate the cultural artefacts that make up our collective conscious. This right exists, for all people, not just the rich and powerful.[40] To prohibit individuals from representing their environment is to alienate them from that environment, and from society. Without the ability to use the common language of our environment to communicate,[41] we necessarily become isolated from the rest of society.

This reflects the practice of postmodern and appropriation artists, who have been using art for many decades to represent, examine, and deconstruct the media that surrounds them.[42] Sherry Levine, a postmodern photographer, encapsulates the need to represent existing expression:

> The world is filled to suffocating. Man has placed his token on every stone. Every word, every image, is leased and mortgaged. We know that a picture is but a space in which a variety of images, none of them original, blend and clash. A picture is a tissue of quotations drawn from the innumerable centers of culture. Similar to those eternal copyists Bouvard and Pechuchet, we indicate the profound ridiculousness that is precisely the truth of painting. We can only imitate a gesture that is always anterior, never original. Succeeding the painter, the plagiarist no longer bears within him passions,

39 Julie Cohen notes that 'play', in this context, means not only intentional activity by individuals, but "the 'flex' in cultural practices of representation": 'Play of culture' is the result of the intersection of consumption, communications, self-development and creative (intentional) play." (Julie E Cohen, "The Place of the User in Copyright Law" (2005) 74 *Fordham Law Review* 347, 372-3).

40 See Siva Vaidhyanathan, *Copyrights and Copywrongs* (2001).

41 See Roxana Badin, "An Appropriate(d) place in transformative value: appropriation art's exclusion from *Campbell v Acuff-Rose Music, Inc*" (1995) 60 *Brooklyn Law Review* 1653, 1691 (appropriation is "like a language, it communicates criticism, praise, condemnation and celebration, and its transformative value can be best understood when it is allowed to speak").

42 Ibid, 1658.

> humors, feelings, impressions, but rather this immense encyclopedia from which he draws. The viewer is the tablet on which all the quotations that make a painting are inscribed without any of them being lost. A painting's meaning lies not in its origin, but in its destination. The birth of the viewer must be at the cost of the painter.[43]

Appropriation art highlights the difference between romantic and postmodern conceptions of authorship. While romantic artists are thought of as isolated geniuses, creating static works of original authorship, postmodern artists are much less isolated from their culture and their influences. Postmodern artists generally recognise that art is fluid, that creativity is an iterative process, and, importantly, that artists are not isolated geniuses. Perhaps the most important thing about appropriation art is that it shows that 'art' is not something which only isolated, dedicated professionals may create – ordinary people are able to play with images and other media, and express themselves through those images.

Appropriation art is not a new concept – the practice was prominent a century ago, when Picasso was pasting oil cloth and newspaper clippings onto canvases.[44] It certainly existed long before that, from when Aristophanes was parodying the writings of Euripides and Sophocles, to when Dante was reimagining Virgil, and later when Shakespeare was seemingly freely borrowing from the entirety of English literature.[45] Many prominent examples of appropriation art can be cited since then. In 1919, Duchamp painted a moustache and goatee on a reproduction of the Mona Lisa, renaming the work 'L.H.O.O.Q'.[46] Duchamp continued to

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43 Sherry Levine, *Modern Art – Impressionism to Postmodernism* (1981, David Britt ed).

44 Appropriation (art), Wikipedia, <http://en.wikipedia.org/wiki/Appropriation_art>.

45 See, for example, Geri Yonover, "The 'Dissing' of Da Vinci: The Imaginary case of Leonardo v Duchamp: Moral Rights, Parody, and Fair Use" (1995) 29 *Valparaiso University Law Review* 935, 969; Mark Nadel 'How Current Copyright Law Discourages Creative Output: The Overlooked Impact of Marketing' (2004) 19 *Berkeley Technology Law Journal* 785, 815; Laurie Stearns, "Copy Wrong: Plagiarism, Process, Property, and the Law" (1992) 80 *California Law Review* 513; see further James Boyle, "Reply Brief of Appellee William Shakespeare (or Shakspere) of Stratford-Upon-Avon" (1988) 37 *The American University Law Review* 809, 812-13.

46 The phonetic pronunciation in French translates roughly to 'She has a hot ass'.

exhibit 'readymades', found objects which he displayed in a new light, most famously exhibiting a urinal into the American Society of Independent Artists exhibition.[47] Using found objects and art continued through the Dada and Surrealist movements, up to Andy Warhol and other pop artists, who took images from popular culture and re-expressed them. Warhol famously reproduced images and silkscreens from Campbell Soup cans, the Mona Lisa, Jackie O (for which he was sued, and settled before trial), and many other popular images. These reproductions were valuable more for their new expression than the original image itself:

> If you take a Campbell's Soup can and repeat it fifty times, you are not interested in the retinal image. What interests you is the concept that wants to put fifty Campbell's Soup cans on a canvas.[48]

In the 1980s, artists like Sherrie Levine were taking entire copyright works and depicting them in new settings, famously photographing photographs of Walker Evans.[49] At the same time, Jeff Koons was notoriously blurring the line between commercialism and art, in one case losing a copyright suit brought by the owner of a photograph of a couple with several puppies, which Koons had had sculptured in wood and coloured a garish blue.

Appropriation art exists across many different domains. Fanfic ('fan fiction'), for example, is the practice of taking the characters, setting, and storylines from books, television, and movies, and creating stories that run in parallel, or that flesh out details of the characters either before, or after, the original work is set.[50] This process also extends to

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47 Appropriation (art), Wikipedia, <http://en.wikipedia.org/wiki/Appropriation_art>.

48 Rosalind Constable, "New York's Avant-garde, and How It Got There," cited in Jennifer Gough-Cooper and Jacques Caumont, "Ephemerides on and about Marcel Duchamp and Rrose Sélavy, 1887-1968," in Pontus Hulten (ed), *Marcel Duchamp* (1993), entry for May 17, 1964, quoted in Thomas Girst, "(Ab)Using Marcel Duchamp: The Concept of the Readymade in Post-War and Contemporary American Art" (2003) *tout-fait: Marcel Duchamp Studies Online Journal* <http://www.toutfait.com/duchamp.jsp?postid=1844> at 05 January 2006.

49 Kathy Bowrey, "Copyright, the Paternity of Artistic Works, and the Challenge Posed by Postmodern Artists" (1994) 8 *Intellectual Property Journal* 286, 309.

50 See Rebecca Tushnet, "Legal Fictions: Copyright, Fan Fiction, and a New Common Law" (1997) 17 *Loyola of Los Angeles Entertainment Law Journal*

the much less accepted Slashfic, which typically depict homosexual erotic fantasies between characters in the original works. Like many of these examples, fanfic flourishes despite its legally precarious position. Authors are not keen to sue their most dedicated fans, and fans are confident in the moral correctness of their roleplaying with their favourite works.

Modern technology has made the sampling of digital media extremely easy. Technologically savvy users are manipulating images, text, music, and video in innumerable contexts around the world. The manipulation of images is particularly prominent; countless examples can be seen of the satirising of images through adding text, super-imposing other images, or otherwise doctoring ('photoshopping'[51]) the original image.[52] It is also not difficult to find communities of users interested in remixing and transforming music,[53] or of creating and editing video productions.[54] All these users are sharing their images, their criticism, and their commentary, to communities of varying size all over the internet.

Kathy Bowrey notes that these postmodern artistic practices create a particular challenge for copyright law, in that current copyright law accords too much protection to the romantic notions of ownership and not enough to contemporary standards of creativity.[55] Similarly, Julie Cohen argues that this fundamental recognition is limited by current conceptions of the user in copyright law. Difficult determinations of the context in which individuals should be able to play with copyright expression "cannot be made without careful attention to users and the

651, 655.

51 Named after one of the most popular image editing suites, Adobe Photoshop by Adobe Systems Incorporated <http://www.adobe.com> at 05 January 2006.

52 See, for example, *Photoshop Phriday*, a weekly image editing competition run by Something Awful <http://www.somethingawful.com/photoshop/> at 05 January 2006.

53 See, for example, ccMixter, a community remix site which encourages Creative Commons voluntary copyright licensing <http://ccmixter.org/> at 05 January 2006.

54 For an example of video remixing, see the trailers produced as side projects by the mebmers of the post production studio P.S.260: <http://ps260.blogspot.com/2005_08_01_ps260_archive.html>.

55 Kathy Bowrey, "Copyright, the Paternity of Artistic Works, and the Challenge Posed by Postmodern Artists" (1994) 8 *Intellectual Property Journal* 286.

processes by which they participate in their own culture".[56] The simplistic conception of the user as either an economic user, who "enters the market with a given set of tastes in search of the best deal",[57] a postmodern user, "who exercises limited and vaguely oppositional agency in a world in which all meaning is uncertain and all knowledge relative",[58] or a romantic user, "whose life is an endless cycle of sophisticated debates about current events, discerning quests for the most freedom-enhancing media technologies, and home production of high-quality music, movies, and open-source software",[59] each lead to a conception of copyright which does not adequately reflect the practices and needs of real users. Cohen suggests that we should consider a more three-dimensional 'situated user', who engages in consumption, communication, self-development, and creative play with cultural goods.[60] Cohen concludes that

> "[t]he situated user flourishes, and copyright's progress project also flourishes, to the extent that law and practice enable a flexible combination of targeted access, fortuitous exposure, autonomous consumption, and open-ended play. The situated user requires a degree of autonomy to seek out new cultural experiences and to manipulate the cultural objects she encounters, but benefits also from a degree of unpredictability in context-driven access to cultural objects. A well-designed copyright system should facilitate all parts of this process".[61]

Cohen argues that one of the results of this conception of the user is that it becomes impossible to separate creativity from 'slavish imitation' – not only are the two related, but they form the very essence of 'progress'.[62] This key recognition enables us to consider that copyright

56 Julie E Cohen, "The Place of the User in Copyright Law" (2005) 74 *Fordham Law Review* 347, 367.
57 Ibid 348.
58 Ibid.
59 Ibid.
60 Ibid 370-2.
61 Ibid 373. See also Joseph Liu, "Copyirght Law's Theory of the Consumer" (2003) 44 *Boston College Law Review* 397, 415 (arguing that 'active consumers' "have an interest in using copyrighted works to engage in their own creative self-expression", and that "consumers copy and adapt copyrighted works in small ways, in the course of making sense of the works, commenting on such works, associating themselves with such works, and communicating additional ideas").
62 Ibid; See also Joseph Liu, "Copyright Law's Theory of the Consumer"

law is not merely a law for the benefit of authors in isolation, but must also protect users and future creators – indeed, the difference between these three groups is virtually non-existent.

4. Allowing transformative speech as a normative principle

These brief examples give us a starting point from which to approach the discussion of transformative use in copyright law. The reuse of copyright expression can not be simply dismissed as 'piracy' or 'free-riding'. There are significant benefits arising from transformative use, including the enhanced availability of diverse and decentralised speech and the freedom of individuals to express themselves, but also including the social benefits that come from deconstructing the media saturated environment we inhabit, and the benefits of not having such a large portion of that environment off-limits to creative expression.

The assumption that I will carry on throughout the remainder of this thesis is that transformative use of copyright material should be encouraged where possible. There will obviously be cases where transformative use should be restricted, just as there are limits on all principles of free speech.[63] However, at least to the extent that it doesn't conflict with other principles of copyright law, transformative speech should be permissible.

(2003) 44 *Boston College Law Review* 397, 416 (arguing that it is a mistake to consider minimally-creative consuming activity as unsophisticated or 'low' forms of authorship).

63 See the much quoted example from Justice Oliver Wendell Holmes, "[t]he most stringent protection of free speech would not protect a man in falsely shouting fire in a theatre and causing a panic" (*Schenk v. United States* (1919) 249 U.S. 47, 52); see also *Levy v State of Victoria* [1997] 189 CLR 579, where it was held that freedom of communication can be curtailed by a prohibition that is reasonably appropriate and adapted to the fulfillment of a legitimate purpose. In that case, the High Court held that entering onto a permitted duck hunting area for the purpose of protesting against the laws of the Victorian Parliament was not protected speech.

Chapter III. Legal restrictions on transformative use

There are many forms of creative expression which infringe copyright law, or are not clearly defined legally, existing just below the attention of copyright owners. This chapter will discuss some of the more recent potentially infringing transformative uses of copyright material, describing their methods, value, and legal consequences.

1. Remixing and sampling of music

One of the most prominent transformative uses is the remixing and sampling of music. In many different cultures, music is engaging and participatory. While music is often enjoyed passively, it is also often a communal process, becoming an important part of social discourse. It is not suprising then that music is the scene of some of the most prominent struggles between copyright owners and users of copyright material.

(a) Remixing

Remixing is a broad term given to the practice of taking a song and remastering it, cutting it up and putting it back together, usually combining it with other sound recordings to create a new song which has a strong relationship with the original, but is at the same time significantly transformed. Remixing as a practice has existed since recorded music made it possible, but first became popular in Jamaica in the 1960s-70s.[64] Practices have ranged from the editing of magnetic tape, to using mixing equipment to remove and add distinct audio tracks

64 Bryan Bergmann, "Into The Grey: The Unclear Laws of Digital Sampling" (2005) 27 *Hastings Communications and Entertainment Law Journal* 619, 623.

in a song, using vinyl turntables to cut and scratch between recordings live in dance halls, and to digital editing practices which incorporate all of these techniques.[65]

When remixes are recorded, they will generally involve the copying of a sound recording. The sound recording, or a large part of it, is copied by the remixer through the use of recording equipment and then modified. Copyright in a sound recording will be infringed by making a copy,[66] or by selling or offering a copy for sale,[67] or otherwise distributing it in a way that "affects prejudicially the owner of the copyright concerned",[68] without the permission of the copyright owner. Copyright will also generally subsist in the literary work of the lyrics of a song, and the underlying musical work. Copyright in the underlying musical and literary works may be infringed by making a reproduction or an adaptation of the work,[69] but a statutory licence exists for recordings of musical works and associated literary and dramatic works, as long as notice is given and the recording is made at least one month after the original work has been released.[70]

In *Universal Music v Miyamoto*, five Australian DJs produced six compilation CDs of remixed songs, both to assist them in their live performances and as examples of their work.[71] Copies of these CDs were given away or sold to the audiences at their performances. The publishers bought suit for infringement of copyright in their sound recordings. The case was uncontested by the respondents, and the applicants were accordingly granted summary judgment. Justice Lindgren held that the remixes contained substantial reproductions of the original recordings,[72] and that the respondents had infringed the copyright in the sound recordings by manufacturing the CDs, and selling or offering them for sale.[73]

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65 See "Remix", W*ikipedia* <http://en.wikipedia.org/wiki/Remix>.
66 *Copyright Act 1968 (Cth)* ss 101(1), 85(1)(a).
67 *Copyright Act 1968 (Cth)* s 103.
68 *Copyright Act 1968 (Cth)* s 103(2)(b).
69 *Copyright Act 1968 (Cth)* s 31.
70 *Copyright Act 1968 (Cth)* ss 55, 59; *Copyright Regulations 1969 (Cth)* r 15.
71 *Universal Music Australia Pty Ltd v Miyamoto* [2003] FCA 812 (unreported, Lindgren J, 18 July 2003).
72 Ibid [23].
73 Ibid [24].

The question of damages and costs was dealt with in a later proceeding by Wilcox J, where the five DJs, a small record label, and the label's owner, were ordered to pay a total of approximately $50,000 in damages and $90,000 in costs.[74] In making the orders, Wilcox J noted that had the recordings been made solely for the purpose of assisting the DJs in their live performances, the infringement would have been less serious: "it would be difficult to see that the applicants had been injured by the infringement; indeed, they might have benefited from audience members being exposed to particular sound recordings and, thereby, influenced to buy a particular album or albums from a legitimate retailer."[75] However, since they had obviously made more copies than was necessary for that purpose (nearly 2000 total), the inference was that they had flagrantly disregarded the copyright of the plaintiffs for commercial gain, either by selling the compilations or giving them away to increase their reputation.[76] The flagrancy of the infringements, coupled with the high popularity of the DJs in question and the need to set an example for the community, resulted in significant additional damages being awarded.[77] Importantly, Wilcox J held that selling or giving away these compilations had the effect of "reducing the likely demand for legitimate copies of the copyright sound recordings".[78] It is unclear from the case how this conclusion was reached – there is no discussion of the impact of remix compilations on the market for original versions.

As the judgment was initially uncontested, the question of infringement was easily resolved, and no defences to infringement were raised. However, had the case been contested, it is unlikely that the defendants could have avoided a finding of copyright infringement. Australian law does not provide the opportunity for a defendant to argue that the remix CDs were a transformative use of the copyright material, resulting in new recordings that are in no way a substitute for the originals. Neither could the defendants argue that their productions were designed to raise their profile as samples of their work, or that they were not designed for

74 *Universal Music Australia Pty Ltd v Miyamoto* (2005) 62 IPR 605.
75 Ibid 612.
76 Ibid.
77 Ibid 612-3.
78 Ibid 612.

wide commercial release. These factors may be (but were not) relevant in assessing damages, but have no bearing on infringement.

Importantly, Wilcox J recognised that, had the respondents asked for permission to remix the songs in question, it was "unlikely that any of the applicants would have granted a licence to any of the respondents to reproduce its copyright sound recordings on a compilation CD".[79] Further, "[the] evidence establishes that approval is frequently denied and that it is particularly likely that approval would be denied for reproduction in a disc jockey compilation."[80] This case illustrates that legal remixing is a form of expression which can sometimes be undertaken by the privileged, but is generally not available to the average person, whether under licence or through exceptions in copyright law.

(i) A prominent example – mashups

Mashup, or 'bastard pop', is a form of remixing which takes two or more songs and mixes them together (generally with digital processing equipment), for example, synching the musical tracks of one song with the lyrics of another, often from completely different genres. The result is often an innovative new song which is greater than the sum of its parts. Mashups hit the fore of the copyright scene in 2003, when DJ Danger Mouse mixed the a cappella version of Jay-Z's *The Black Album* with the Beatles' *White Album*, titling his new creation *The Grey Album*.[81] He released 3000 promotional copies of the album to critical acclaim.[82] EMI and Sony/ATV, owners of copyright in the *White Album* sound recordings and musical works respectively, claimed copyright infringement and issued cease and desist letters to DJ Danger Mouse and the music stores stocking the new album. DJ Danger Mouse promptly removed the *Grey Album* from circulation, but it continued to be distributed by fans on the Internet. Downhillbattle.org organised a

79 Ibid 610.
80 Ibid.
81 See Matthew Rimmer, "The Grey Album: Copyright Law and Digital Sampling" (2005) 114 *Media International Australia* 40.
82 Bryan Bergmann, "Into The Grey: The Unclear Laws of Digital Sampling" (2005) 27 *Hastings Communications and Entertainment Law Journal* 619, 621.

protest, known as 'Grey Tuesday', where fans and protesters made copies of the *Grey Album* available for public download on the Internet. The music labels issued cease and desist letters to the protesters, but no other legal action has been taken.

Under current Australian law, following *Miyamoto,* it is more than likely that mashups are considered to reproduce a substantial part of the albums they draw upon.[83] Despite that, however, mashups continue to be a vibrant and engaging form of musical expression. Most recently, in November 2005, a duo called 'Dean Gray' (one member of which is Australian) released a mashup of Green Day's *American Idiot*, titling their remix album *American Edit*.[84] Ten days after they had posted their remix album on the internet, Dean Gray received a form cease and desist letter on behalf of Warner records, Greenday's publisher, and removed the album from their website. Like the *Grey Album*, Dean Gray organised a day of civil disobedience, successfully encouraging many websites to host their album on 13 December 2005.

Mashups are an essentially harmless form of cultural expression. It is almost unimaginable that a potential consumer of an original recording would be satisfied with a mashup album to the exclusion of the original. Further, as Wilcox J recognised in *Miyamoto*, it is clear that there is little chance that the majority of remix artists would be able to obtain a copyright licence, even if they could afford it. There is accordingly no financial loss to the copyright owners. Further, there is no strong argument that loss to reputation or other losses could arise from mashups, primarily because they are easily distinguishable from the original sound recordings. It is accordingly hard to see why this form of creative expression is not permissible.

(b) Sampling

Unlike remixing, sampling generally does not use large portions of songs. The practice involves taking short 'samples' of audio from various sources and using them in new contexts in new songs.[85] Any audio can

83 Matthew Rimmer, "The Grey Album: Copyright Law and Digital Sampling" (2005) 114 *Media International Australia* 40,43-4.
84 See American Edit <http://www.americanedit.org/home/ae/>.
85 See Randy Kravis, "Does a song by any other name still sound as sweet?:

be sampled – everything from beats, riffs, lyrics, dialogue, and the ambient noises of everyday life. Talented artists can put samples together to make a multilayered whole, creating "fresh, exciting, walls of sound that [are] a language unto themselves".[86]

Under Australian law, sampling, like remixing, will infringe copyright in a sound recording when a copy of the sound recording or a substantial part of the sound recording is made.[87] Showing whether a sample has been copied from a particular sound recording is generally a straightforward evidentiary matter, requiring objective similarity between the sample and the original, and some causal copying connection between the two.[88] Substantiality is a different matter. Because sampling generally only takes small portions of sound recordings, it is not straightforward to determine whether what has been copied is a substantial part or not.

The question of substantiality is generally qualitative, not quantitative,[89] and must be evaluated with regard to all the circumstances of the case.[90] In *Autodesk v Dyason (No 2)*, Mason CJ (dissenting) held that "it is important to inquire into the importance which the taken portion bears in relation to the work as a whole", whether it was "an 'essential' or 'material' part of the work".[91] The High Court in *Data Access Corp v Powerflex Services Pty Ltd* approved of Mason CJ's opinion that "the essential or material features of a work should be ascertained by considering the originality of the part allegedly taken".[92]

When dealing with Part IV copyrights, such as sound recordings, films, and broadcasts, the question of substantiality is less concerned with

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Digital Sampling and its Copyright Implications" (1993) 43 *American University Law Review* 231, 237.

86 Siva Vaidhyanathan, "Siva Vaidhyanathan on Copyrights and Copywrongs", Interview, Slashdot 15 February 2002 <http://interviews.slashdot.org/interviews/02/05/15/166220.shtml> (at 17 September 2005).

87 *Copyright Act 1968 (Cth)* ss 14(1), 101(1), 85(1)(a).

88 *SW Hart & Co Pty Ltd v Edwards Hot Water Systems* (1985) 159 CLR 466; *Francis Day & Hunter Ltd v Bron* [1963] Ch 587.

89 *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465 at 469.

90 *SW Hart & Co Pty Ltd v Edwards Hot Water Systems* (1985) 159 CLR 466.

91 *Autodesk Inc v Dyason (No 2)* (1993) 176 CLR 300, 111 ALR 385 at 389.

92 Ibid*;* Quoted with approval in *Data Access Corp v Powerflex Services Pty Ltd* (1999) 202 CLR 1 at [84].

originality.[93] In *The Panel (No 2)*[94] Justice Finkelstein, with whom Sundberg J agreed, noted that the "test of substantiality [...] is not confined to an examination of the intrinsic elements of the plaintiff's work", but "may involve a broader enquiry [...] which encompasses the context of the taking".[95] Relying heavily on US authorities, His Honour set out a number of factors which could be used to determine whether what was taken was a 'substantial part' of a television programme:

> does what has been taken amount to 'essentially the heart' of the copyrighted work? Is what has been taken 'at least an important ingredient' of the copyright work? Have the best scenes been taken from the programme? Are the excerpts 'highlights' from the programme? Are the excerpts central to the programme in which it appeared? Does the portion used constitute the 'heart' - the most valuable and pertinent portion – of the copyright material?[96]

The application of these tests to music samplers may be quite restrictive. To the extent that samplers take small portions to form rhythm or background sounds, they should be safe from copyright infringement. However, the more recognisable the sample, the more it is likely to infringe. Samplers who use memorable snippets ('highlights') of copyright material, or who sample a catchy beat or a distinctive riff may be liable. On this construction the reuse of generic copyright material in production will be allowed, but the use of samples which mean something, which have the potential to remind the listener of the impact of the original, are on much less certain footing. The degree to which the courts resolve this ambiguity in the future will have a significant impact on the freedom of samplers to reuse the sounds of their cultural environment.

In the past the courts have recognised a de minimis argument against infringement claims for small portions of copyright material, holding that 'the law is not concerned with trifles'. In the United States, a recent Sixth Circuit Court of Appeals decision held that it was not possible to rely on a de minimis argument for music sampling if the sampling has

93 *Nationwide News v Copyright Agency Limited* (1996) 65 FCR 399.
94 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd (No 2)* (2005) 145 FCR 35.
95 Ibid 42.
96 Ibid 46 (citations removed).

been admitted. In *Bridgeport Music v Dimension Films*,[97] Judge Ralph Guy held that any recognisable portion taken from a song would infringe copyright, subject to any defences. The Judge set out the question to be determined in this case as whether "[i]f you cannot pirate the whole sound recording, can you 'lift' or 'sample' something less than the whole".[98] The answer was 'no', partly on the basis that the main reason to sample is to save on production costs.[99] The judge concluded that an artist should

> [g]et a licence or do not sample. We do not see this as stifling creativity in any significant way.[100]

In Australia, the primary judge in *The Panel* held that certain short television clips were de minimis and did not infringe copyright.[101] The High Court held that the quantitative test was not applicable, and the test for substantiality will depend on a qualitative evaluation.[102] Justice Finkelstein in the subsequent Full Federal Court decision noted that the approach "that anything which is not de minimis will be regarded as 'substantial'" is incorrect.[103] The result seems to be that while not every act of copying will be infringement of copyright, a defendant will not be able to answer that the copying was so quantitatively small as to be insignificant, without looking at context of the broader work and the extrinsic circumstances of the case – the de minimis argument has effectively been abrogated because the quantitative test has been rejected.

Whether Australian courts will take the strict or liberal approach to music sampling is open to speculation. Fitzgerald and O'Brien note that on a strict approach, a substantial part will be copied whenever a recognisable portion of a song is sampled, but on a more liberal

97 (2004) FED App. 0297P (6th Cir.)
98 Ibid 18.
99 The same principle applies in Australia – see, for example, *Desktop Marketing Systems Pty Ltd v Telstra Corp Ltd* (2002) 119 FCR 491; *Blackie & Sons Ltd v Lothian Book Publishing Co Pty Ltd* (1921) 29 CLR 396.
100 *Bridgeport Music v Dimension Films* (2004) FED App. 0297P (6th Cir.), 20.
101 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235, 288.
102 *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd* (2004) 218 CLR 273.
103 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd (No 2)* (2005) 145 FCR 35, 43, quoting Laddie, Prescott and Vitoria, *The Modern Law of Copyright and Designs* (3rd Ed, 2000).

approach, only when the sample reproduces "a portion of the song which has led to its popular appeal or commercial success."[104] With the recent precedent set in the United States and the approach of the High Court in *The Panel* (discussed further below), one could be forgiven for adopting a pessimistic outlook for the futures of prospective Australian samplers. It is important to note that in the United States, samplers may still be able to rely on a fair use defence for transformative uses of copyright material, which is not available in Australia. Even on a liberal approach to substantiality, the creative freedom of samplers is likely to be quite tightly curtailed. The conclusion seems to be that sampling, like remixing, is a legally precarious form of expression. Australian copyright law is likely to be applied quite harshly to people seeking, without permission, to use portions of copyright sound recordings in their own creations.

(c) Remixing and sampling of other media

Remixing and sampling are not limited to music. The same general process can be applied to film, television, literature, still images, or any other media. An interesting example is found in the 2004 autobiographical film *Tarnation*, by Jonathan Cauoette. The film cost Cauoette approximately US$218 in blank media, on which he had recorded segments of his life since he was an adolescent.[105] These memories he mixed together with samples of popular culture that he felt represented significant periods of his life – the music he was listening to, the video clips he was watching, the images which formed his surroundings. These samples of media shaped Cauoette's recollections of his youth, and it must have seemed natural to use them to highlight his expression of that period of his life. The critics agreed, and the film was extremely well received at New York's MIX Festival, Sundance Film Festival, and the Cannes Film Festival. When the independently produced film was picked up by the production company Wellspring,

104 Brian Fitzgerald and Damien O'Brien, "Digital Sampling and Culture Jamming in a Remix World" (2005) 10(4) *Media and Arts Law Review* 270.

105 Kimberlee Weatherall, "Fear Factor: Films and the Copyright Clearance Jungle", *Arts Law Centre of Australia Online <http://www.artslaw.com.au/ArtLaw/Archive/05FearFactorFilmsandtheCopyrightClearanceJungle.asp>.*

copyright clearances for all the media Cauoette had spliced into his film ended up costing over USD$400,000.[106] Cauoette was lucky that a production company was willing to pay this princely sum – a fortune that most independent filmmakers are unlikely to share.

Those filmmakers that cannot afford to pay copyright licence fees may not use the media that forms their cultural environment in their own creations. The situation is much the same for cinematograph films and radio and television broadcasts as it is with sound recordings. Unauthorised remixes of cinematograph films will infringe copyright in the film by making a copy of the film or a substantial part of the film, as well as by selling it or otherwise distributing it in a manner prejudicial to the owner of the copyright.[107] Copyright in a broadcast will be infringed by making a film or sound recording of a substantial part of that broadcast, by copying such a film or sound recording, by rebroadcasting the broadcast, or, again, by selling or otherwise distributing an infringing copy.[108]

Remixing and sampling will also infringe the copyright in any underlying literary, dramatic, musical or artistic works by reproducing the work, or a substantial part of the work, in a material form, or by selling or otherwise making available the reproduction.[109] The statutory licence granted to make recordings of musical works and associated literary and dramatic works will not apply to sound recordings which form part of a film, or to non-audio reproductions.[110]

Unless a person making use of copyright material in new expression can make out a fair dealing defence, it would appear that nearly any remixing or sampling will be seen as infringement of copyright. As we will see from the recent decisions in *The Panel*,[111] the tests for substantiality are likely to be very strict, and the defences of fair dealing very difficult to make.

106 Ibid.
107 *Copyright Act 1968 (Cth)* ss 101(1), 103, 86.
108 *Copyright Act 1968 (Cth)* ss 101(1), 103, 87.
109 *Copyright Act 1968 (Cth)* ss 36, 38, 31(1), 14(1).
110 *Copyright Act 1968 (Cth)* ss 55, 10.
111 *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd* (2004) 218 CLR 273; *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd (No 2)* (2005) 145 FCR 35.

(d) Fan-created music videos

An example of remixing across both film and music is the creation of unofficial music videos. A fan of a particular song may remix video or animation footage to create a short narrative film. The song will typically be changed very little, but the film will be a significantly original arrangement. The footage for the video may come from a particular movie, or a television or animation series, or draw in material from many different sources. It will not, however, usually be media that is officially associated with the music.

These music videos can be highly expressive works. They often succeed in using the music to tell a story that is played out in the video, and that video lends new meaning to the original song. While little of the music is changed, much effort goes into selecting and arranging footage, and synching the song to events portrayed in the film.

While it is true that many songs already have official music videos, these fan created videos are not directly substitutable for the original. The official status of the original guarantees its place in music television, for example. The fan videos are expressive and highly original, and generally created for the non-commercial enjoyment of the individuals creating the remix and other fans.

In Australia, these music videos would constitute blatant infringement of copyright in the sound recording, the lyrics, and the music. Because the whole song is used, there can be no question of substantiality. Depending on the footage used, the video is also more than likely to be infringing. Again, no fair dealing defences are likely to apply to this highly innovative and expressive art form.

(e) Moral rights

Australia introduced moral rights into the *Copyright Act* in 2000.[112] The moral right of integrity provides that the author of an original literary, dramatic, musical, or artistic work, and the makers of a cinematograph film, have a right to restrict the "material distortion of, the mutilation of, or a material alteration to, the work that is prejudicial to the author's

112 *Copyright Amendment (Moral Rights) Act 2000* (Cth).

honour or reputation."[113]

In 1991 in the UK, George Michael obtained a preliminary injunction against the makers of the *Bad Boys Megamix*, a remix of various Wham! songs, on the basis that the recording was capable of being a distortion or mutilation of the singer's original work.[114] The Court did not require actual prejudice to George Michael's honour or reputation to be shown.

In contrast, in 2003 the UK High Court found that there was no infringement of moral rights when rap lyrics were recorded over the top of a remix of an original song.[115] Because the author could not provide expert witnesses to show that the rap lyrics (which "were for practical purposes a foreign language"[116]) were prejudicial to his honour or reputation, the action failed. Justice Lewison held that "the mere fact that a work has been distorted or mutilated gives rise to no claim, unless the distortion or mutilation prejudices the author's honour or reputation."[117]

It is unclear what test Australian courts will adopt to determine whether a use of copyright material is prejudicial to the author's honour or reputation. With relation to sampling of sound recordings, Fitzgerald and O'Brien suggest that because there are no moral rights in sound recordings, and there is a statutory licence to record music and lyrics, "there seems merit in the suggestion that the moral right of integrity in relation to recorded music must permit a broad range of approaches in the face of any attempt at creative censorship".[118]

Under a previous legislative standard of 'debasement' of musical works, the Federal Court held that a wide approach should be taken, taking account of the broad spectrum of community tastes and values.[119] In

113 *Copyright Act 1968 (Cth) s* 195AJ (Literary, dramatic, musical works); s 195AK (artistic works); s 195AL (cinematograph films).
114 *Morrison Leahy Music Limited and another v Lightbond Limited* [1993] E.M.L.R. 144.
115 *Confetti Records v Warner Music* [2003] EWCh 1274.
116 Ibid [154].
117 Ibid [150].
118 Brian Fitzgerald and Damien O'Brien, 'Digital Sampling and Culture Jamming in a Remix World' (2005) 10(4) *Media and Arts Law Review* 270.
119 See *Schott Musik International GmbH & Co v Colossal Records of Australia Pty Ltd* (1996) 71 FCR 37, 44; quoted with approval on appeal by the Full Federal Court at *Schott Musik International GmbH & Co v Colossal Records of Australia Pty Ltd* (1997) 75 FCR 321, 324 per Wilcox J (with whom

that case, a techno remix of a classical musical work was held not to have debased the original work.

While there has been little litigation on the subject of the moral right of integrity in the common law countries, remixers must still be aware that they risk infringing not only the exclusive rights of the copyright owner, but also the moral rights of the authors of original works and films. There remains significant risk that the ability of creators to engage in transformative use of copyright material is severely curtailed by the relatively recent introduction of moral rights.

2. The Panel

In *TCN Channel Nine v Network Ten ('The Panel')*,[120] Channel Nine brought suit against Network Ten for copyright infringement of Channel Nine's television broadcasts. Network Ten's show 'The Panel' recorded broadcasts made by Channel Nine (and other networks), and played short clips from those broadcasts, which were discussed by the guests and hosts of the programme.

(a) The definition of 'broadcast'

Copyright subsists in television and sound broadcasts by virtue of s 87 of the *Copyright Act*. A television broadcast means "visual images broadcast by way of television, together with any sounds broadcast for reception along with those images",[121] and a broadcast means "a communication to the public delivered by a broadcasting service within the meaning of the Broadcasting Services Act 1992."[122] Section 25(4) of the *Copyright Act* provides that "(a) a reference to a cinematograph film of a television broadcast shall be read as including a reference to a cinematograph film, or a photograph, of any of the visual images comprised in the broadcast; and (b) a reference to a copy of a cinematograph film of a television broadcast shall be read as including a reference to a copy of a cinematograph film, or a reproduction of a

Lindgren J agreed on this point).

120 *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd* (2004) 218 CLR 273.

121 *Copyright Act 1968* (Cth) s 10.

122 *Copyright Act 1968* (Cth) s 10.

photograph, of any of those images." Copyright in a broadcast will be infringed by making a chromatograph film or a sound recording of the broadcast or a substantial part of the broadcast, or by rebroadcasting the broadcast or a substantial part of it.[123]

The primary judge, Conti J, held that Network Ten (Ten) had not taken a substantial part of Channel Nine's (Nine) broadcasts, either on a quantitative view, in that the excerpts were very short, or on a qualitative approach, in that Network Ten's use was for different purposes than Channel Nine's, and thus not likely to interfere with Channel Nine's commercial interest.[124] The Full Federal Court overturned the first instance decision, holding that the wording of s 25(4) meant that copyright in a broadcast will be infringed whenever a copy or rebroadcast is made of "any of the visual images comprised in the broadcast":

> a television broadcast in which copyright may subsist is made whenever visual images and accompanying sounds are broadcast by way of television. Rebroadcasting of any of the actual images and sounds so broadcast is an infringement of copyright under s 87(c), whether or not the subject matter of the rebroadcast is characterised as a programme, a segment of a programme, an advertisement, a station break or a station logo, or as a substantial part of any of those things.[125]

The High Court, by a 3-2 majority, rejected this approach, holding that 'broadcasts', while not able to be precisely defined, are more accurately regarded as the television programmes "put out to the public [...] as discrete periods of broadcasting identified and promoted by a title"[126]. The High Court left open the possibility that a programme divided into identifiable segments may consist of multiple broadcasts, but noted that advertisements are properly seen as discrete broadcasts, but not necessarily prime time news segments or stories.[127]

123 *Copyright Act 1968* (Cth) ss 101(1), 87, 14(1).
124 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235, 288.
125 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2002) 118 FCR 417 at 436, per Hely J.
126 *Network Ten Pty Limited v TCN Channel Nine Pty Limited* (2004) 218 CLR 273, 302 .
127 Ibid.

By defining broadcasts as entire programmes, the High Court forced Channel Nine to show that each of the clips used by Network Ten formed a substantial part of each programme. In making its decision, the High Court held that s 25(4) gives a special meaning to 'a cinematograph film of the broadcast', for the purposes of s 87(a), but does not apply to the issue "whether there has been taken at least a substantial part of the images aggregated in the television broadcast in question".[128] Both Kirby and Callinan JJ, in separate dissenting judgments, held that this interpretation was irreconcilable with the literal text of ss 25 and 87.[129] Justice Kirby noted that the resolution of these issues should be a matter for the fair dealing defences, rather than relying on the definition of substantiality to determine infringement.[130]

The majority of the High Court (McHugh ACJ, Gummow, and Hayne JJ) considered that if copying or rebroadcasting of 'any of the visual images' in a broadcast were an infringement of copyright in the broadcast, it would place the interest of broadcasters "in a privileged position above that of the owners of copyright in the literary, dramatic, musical and artistic works which may have been utilised in providing the subject of the images and sounds broadcast", because the owners would not have to show that a 'substantial part' had been taken.[131] The Court looked to the policy objective of the broadcasting right, which was "to protect the cost to, and the skill of, broadcasters in producing and transmitting their programmes, in addition to what copyrights may have subsisted in underlying works used in those programmes".[132] Unlike Part III works, there is no requirement of originality in broadcasts (or cinematograph films and sound recordings), and the interests protected are different. The Court observed that Part IV "subject matters receive a lower level of protection than works, with shorter terms and more restricted exclusive rights".[133]

If the High Court had decided that copyright subsists in each frame of a

128 Ibid 297.
129 Ibid 306, per Kirby J; 326, 328, per Callinan J.
130 Ibid 311.
131 Ibid 293.
132 Ibid 287.
133 Ibid, quoting, with approval, Ricketson, *The Law of Intellectual Property: Copyright, Designs & Confidential Information*, 2nd ed (rev) (2002), §8.0.

television broadcast independently of the programme, the balances inherent in Part III of the *Copyright Act* would have been lost with regard to Part III works disseminated via broadcast. Acts that would not be an infringement of copyright in original works, either because the work lacks originality or material form, or because the part taken is not a substantial part, would nearly always infringe the copyright in a broadcast. The High Court wisely did not further restrict the legislative balance in the Copyright Act by applying an extremely narrow definition of 'broadcast'.

(b) What is a 'substantial part' of a broadcast?

Once the High Court had defined each programme to be a 'broadcast', the Full Federal Court was left to determine whether Network Ten had rebroadcast a substantial part of any of those programmes subject to the appeal. As we saw above, Finkelstein J approached the question of substantiality by looking at what was taken qualitatively and quantitatively, and also at the broader context of the taking.[134]

Justice Hely did not accept that the purpose of Network Ten's use of the clips had a significant bearing on whether they formed a substantial part of the source materials.[135] Justice Finkelstein, however, with whom Sundberg J agreed, drew four key ideas out of the precedents where the extrinsic uses of the copyright material would be relevant to determining substantiality:

> The key ideas here are first that copyright is granted to protect the owner's financial interest in his property. The second idea links financial harm to the rationale of unfair use or the injurious appropriation of the plaintiff's skill and labour. The level of financial harm may indicate that the use of that labour is unfair. [...] The third idea draws on the paradigm of piracy. The 'clear case' of copyright infringement is where the defendant sells a cheaper version of the plaintiff's work, causing the plaintiff financial harm. The fourth idea is the concept of 'value', which denotes more fully

134 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd (No 2)* (2005) 145 FCR 35, 41.
135 Ibid 54.

> than the word 'quality' a financial dimension as well as the notion of originality or artistic merit.[136]

Quantitatively, each clip considered on appeal was very small – ranging from 8 seconds to 42 seconds, taken from programmes ranging from 22 minutes to nearly 5 hours in length.[137] The clips that were unanimously held to not be substantial parts of the source broadcast were generally described by Hely J as "trivial, inconsequential or insignificant in the context of the source broadcast",[138] or by Finkelstein J as "insignificant [or de minimis] in the context of Nine's programme".[139] These clips were generally trivial with regards to the main purpose of the source broadcast. Where the footage taken was used for an entirely different purpose, it was not likely to be a substantial part.[140] These clips included:

- footage of the various disguises worn by alleged victims of an introduction agency in television interviews, "without conveying anything of significance in relation to the original story";[141]
- footage of successive Russian Prime Ministers who had been dismissed by President Boris Yeltsin, which was "incidental to the source broadcast";[142]
- an extract of Steve Irwin ('Crocodile Hunter') in a large tank, describing a shark that is also in the frame, where the main climax of the show was Mr Irwin "swimming in the open ocean with sharks". Justice Hely noted that "The Panel Segment is humorous, but there was nothing funny about the original broadcast. The footage taken is used in an entirely different context from the original broadcast, and in that broadcast it is trivial, inconsequential or insignificant";[143]
- an interview with the manager of a hostel for homeless people, where the clip was used to comment on the people gesticulating in

136 Ibid 42.
137 Ibid 49.
138 Ibid 55, per Hely J;
139 Ibid 47.
140 Ibid 54-6.
141 Ibid 55.
142 Ibid.
143 Ibid.

the background of the source broadcast;[144]

- an extract showing an Australian Vice President of the International Olympic Committee "expressing relief at being cleared of all corruption allegations".[145] The judgment does not make clear how this clip differs substantially from the extract below of a prominent cricket player's reactions upon receiving an award.

The court split on three clips, Finkelstein J and Sundberg J holding that they were substantial and Hely J holding that they were not:

- Ten seconds taken from a two hour medal presentation dinner ('The Inaugural Allan Border Medal Dinner'), showing the reaction and emotion of one of the winners of the award, but not the acceptance speech or the receiving of the award. The majority held that the announcement was a "highlight of the dinner",[146] but Hely J held that it did not "include any critical moments or highlights of the original broadcast", such as the winner receiving the award or giving his acceptance speech.[147]

- Eight seconds of the live broadcast of the National Rugby League grand final, depicting the winning captain (Glen Lazarus) performing a cartwheel in celebration. The majority held that the cartwheel "was, on any view, a 'highlight'", as the person depicted was "playing his very last game of rugby league and was able to celebrate it with a win in the 1999 grand final".[148] Justice Hely, in dissent, noted that there were other players who performed cartwheels but were not shown, and the part taken is fleeting in character and not a highlight of the broadcast, whether that broadcast concerned the football game itself, the post-match presentations, or both.[149]

- Nine seconds of a child yawning while being interviewed. The majority held that it was a "memorable part of the interview",[150] while Hely J held that it was "fleeting in nature" and on the periphery

144 Ibid 56.
145 Ibid.
146 Ibid 47.
147 Ibid 55.
148 Ibid 47.
149 Ibid 55.
150 Ibid 47.

of the original broadcast, making little, if any, contribution to the subject matter of that broadcast".[151]

There were three remaining clips that were unanimously held to be a substantial part of their original broadcasts:

- 17 seconds of the Prime Minister singing Happy Birthday to Sir Donald Bradman. The majority noted that it was "a key and memorable feature", and that one of the panellists had "said the footage should be included in the Midday's shows 'best of' special"[152]. Justice Hely noted that "the rebroadcast of this potent footage provided entertainment in its own right, apart altogether from any additional contribution made by members of the panel."[153]

- 26 seconds of a re-enactment of an unsolved crime on "Australia's Most Wanted". The portion taken was the 'crux' of the re-enactment, where a gang of wrongdoers intimidated innocent partygoers, broke into a home, and stabbed a young man. Justice Hely held that the clip reproduced "the essence of the original story, rather than something which is merely incidental to the originating broadcast".[154] Justice Finkelstein held that the portion taken "is very dramatic and clearly central to the programme in which it appeared".[155] It was not relevant that the subsequent discussion of the clip by the panel was centred on the actors that portrayed the violent gang being shown dancing in another piece of footage.[156]

- 20 seconds of a game show for children ('Pick Your Face'), humorously showing a child mistakenly identifying a partial picture as a certain celebrity. Justice Finkelstein noted that "the identification by contestants of the faces they have assembled is an important part of the show",[157] and Hely J noted that the segment "provided a substantial part of the entertainment value of the programme from which it is taken, and the footage rebroadcast is funny in its own

151 Ibid 55.
152 Ibid 47.
153 Ibid 54.
154 Ibid 47.
155 Ibid 54.
156 Ibid.
157 Ibid 47.

right".[158] It was relevant that one of the panel members described the except as a 'little highlight'".[159]

It is difficult to identify a consistent theme in these decisions. What can be ascertained is that to avoid copyright infringement, a short clip from a broadcast should not (a) depict the main theme or 'essence' of the source broadcast; (b) be able to be described as a 'highlight' of the source broadcast; or (c) be memorable, entertaining or humorous in its own right. In order to be certain of non-infringement, the clip taken should be completely unrelated to the main subject matter of the original broadcast, or so far taken out of context that it is difficult, if not impossible, to ascertain the theme of the original broadcast from the clip. What is not clear is to what extent uses for different purposes will be allowed. For example, using a clip to discuss the people pictured in the background is allowable, as is a humorous discussion of a man describing a shark when the original description was not humorous, but discussing the re-use of actors alternatively depicted in violent roles and dance scenes is not. The only solid conclusion that can be drawn on the way a clip is subsequently re-used is that it is not a very useful factor in determining substantiality.

(c) How do the fair dealing exceptions apply?

Where a clip taken is held to be a substantial part of the original broadcast, the respondent may be able to raise a defence of fair dealing. The two most important fair dealing defences in this case were fair dealing for the purposes of criticism or review,[160] and fair dealing for the purposes of reporting news.[161]

Justice Conti noted that if he had not held that the clips used by Ten did not form a substantial part of the source broadcast, 9 of the 20 clips would be treated as fair dealing for either the purposes of criticism or review, or of news reporting. On appeal, the Full Federal Court accepted

158 Ibid 54.
159 Ibid 47, 54.
160 *Copyright Act 1968* (Cth) s 103A
161 *Copyright Act 1968* (Cth) s 103B

Conti J's obiter determinations, subject to three notices of contention from Ten, and seven appeals from Nine. Of these, the Full Federal Court held that Conti J erred in holding that one of the clips was not criticism or review,[162] and also in holding that three of the rebroadcasts were fair dealing for the purposes of criticism or review, or for reporting news.[163]

As the Federal Court had already dealt with the question of fair dealing before it was asked to reconsider the question of substantiality, only the 11 clips where Ten had not successfully raised a fair dealing defence were dealt with in *The Panel (No 2).*[164] The six clips which were held to be both substantial and not fair dealing, either for the purposes of criticism or review, or for reporting of news were:

- "The Inaugural Allan Border Medal Dinner": Conti J at first instance would have held that the extract was fair dealing for the purposes of news reporting, because it showed the winner of the medal (Glenn McGrath) not noticing the Prime Minister's attempts to congratulate him, accepting Ten's submission that "unusual or incongruous moments in an Australian Prime Minister's life are inherently and necessarily news".[165] On appeal, Hely J held the incident was not news, because there was "no suggestion that Mr McGrath deliberately ignored the Prime Minister, or that on the actual night anyone thought that the Prime Minister had been publicly embarrassed"[166] and "[t]he only public embarrassment was created by the Panel's publicising of a background and unnoticed incident".[167] It was accordingly "not a fair dealing for the purpose of reporting news to use footage in a particular way so as to create the appearance of a public embarrassment and then to assert that the rebroadcast of the footage was merely the report of a public

162 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2002) 118 FCR 417, 420 (per Sundberg J); 425 (per Finkelstein J).
163 Ibid 433, 444, 445 (per Hely J).
164 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd (No 2)* (2005) 145 FCR 35, 38.
165 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235, 297.
166 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2002) 118 FCR 417, 444.
167 Ibid.

embarrassment."[168] Both Finkelstein J and Sundberg J agreed.[169]

- "Midday" (Prime Minister singing Happy Birthday): The panellists made comments on Kerri-Anne Kennerley's abilities and political allegiances as the host of 'Midday'. Conti J would not have upheld Ten's defence of criticism or review, on the basis that the purpose of the commentary was to satirise the presenter of 'Midday', but did not engage in criticism or review of 'Midday' itself. Justice Hely held that criticism of the host of the show could amount to criticism or review of the show, but that in this case, there was no significant connection between commentary on Ms Kennerley and the particular extract selected: "[t]he Panel segment was shown for its own sake, either as something worth seeing again, or for the benefit of those who had missed it when it was originally broadcast by Nine."[170]

  Conti J also did not accept that the extract was fair for the purposes of news reporting, on the basis that there was no suggestion from the panellists that the Prime Minister singing 'Happy Birthday' to Sir Donald Bradman was 'newsworthy', and Ten's "purpose in rebroadcasting the event was rather to satirise the Prime Minister's already well-known admiration for Sir Donald Bradman."[171] Justice Hely agreed that the purpose of the rebroadcast was for its entertainment value, rejecting the suggestion that "the Panel was reporting an item of news, namely that the Prime Minister had sung Happy Birthday to Sir Donald Bradman on the Midday Show some 14 days earlier".[172]

  Justice Sundberg agreed with Hely J on both points.[173] Finkelstein J, however, held in dissent that the Panel undertook "a review of sorts of the Midday Show", because "there was a general discussion about Ms Kennerley's talents as the program's host".[174] Moreover, His

168 Ibid.
169 Ibid 418 (per Sundberg J); 423 (per Finkelstein J).
170 442.
171 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235, 292.
172 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2002) 118 FCR 417, 443.
173 Ibid, 419.
174 Ibid, 424.

Honour held that the rebroadcast was a fair dealing for the purposes of reporting news on the basis that "an incident where the Prime Minister of a country has behaved in a way which some might call "silly" is certainly newsworthy", and his "perceived indiscretions or other unusual actions warrant reporting".[175]

- "Wide World of Sports": Justice Conti would not have upheld Ten's fair dealing defences, noting that the rebroadcasting of the winning team's exuberant behaviour (and Glenn Lazarus' cartwheel) was broadcast for its entertainment value, and that Ten did not engage in significant criticism or review of Mr Lazarus or his team's behaviour.[176] Ten did not appeal against this finding.

- "Australia's Most Wanted": Ten had rebroadcast a re-enactment of a stabbing by party gatecrashers, and used it to comment upon the fact that the same dancers were used in Ten's ARIA Awards Program. Justice Conti did not accept that Ten's broadcast of Nine's re-enactment was fair use for the purposes of criticism or review of "another audio-visual work",[177] because there was "no connection of any relevance between the two programs". It was not acceptable for Ten to rebroadcast the clip "merely to set the context whereby [Ten] thereafter supposedly criticises or reviews its own television broadcast as distinct from the rebroadcast."[178] Similarly, there was no basis for Ten to suggest that its broadcast of its own ARIA Awards programme contemporaneously with Nine's re-enactment could constitute criticism or review of Nine's broadcast. The news reporting defence also failed because the clip was rebroadcast by Ten "for the purpose of providing a merely contextual theme as a basis for generating humour from Ten's own audio-visual item, there being no reporting of news the subject of any true purpose of Ten, nor any association of Nine's footage with any supposed reporting of news by Ten".[179] Ten did not appeal against this finding.

175 Ibid.
176 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235, 292.
177 *Copyright Act 1968* (Cth) s 103A.
178 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235, 294.
179 Ibid.

- "Pick Your Face": Ten attempted to raise a defence that it had engaged in criticism or review when it showed the child contestant mistakenly identifying "a character of some colourfulness from one television program (The Drew Carey Show)" as "the Channel 9 personality Kerri-Anne Kennerley".[180] Justice Conti would have held that "there was no purpose of criticism or review, the rebroadcast being used by Ten for the purposes of entertainment", noting that Ten had not passed judgment on the incident.[181] Ten did not appeal against this finding.

- "The Today Show": Ten had rebroadcast a live interview of a child who yawned when asked a question, and had argued that it was "reviewing a brief piece of live television and [...] showing how precarious that can be."[182] Justice Conti would have held that the criticism or review defence could not succeed because the clip "might well illustrate how 'precarious' television may be [...] but that does not give the rebroadcast the attribute of review" – the rebroadcast was missing an element of critique.[183] Ten did not appeal against this finding.

(d) The ramifications of *The Panel* for transformative use

The Panel makes it clear that it is very difficult to determine when a transformative use of a broadcast (and by analogy, original literary, dramatic, musical, and artistic works) will be an infringement of copyright. It is clear, however, that the question of substantiality is construed quite strictly, and anything which is more than trivial or inconsequential may be considered substantial. The scope of permissible transformative use is accordingly quite small, a problem accentuated by the uncertain weight of the purpose of the use in the determination of substantiality.

180 Ibid.
181 Ibid.
182 Ibid, 301.
183 Ibid.

With regard to the fair dealing defences, the decisions in the Federal Court reflect a largely unstructured approach, with little future guidance as to when a use of copyright material will be considered fair dealing for criticism or review or for news reporting.[184] The definitions of 'criticism', 'review', and 'news' are drawn quite restrictively, meaning that there is little room for transformative users to use copyright material to make a general comment on society or unrelated works, and little certainty where copyright material is being discussed but no solid judgment is passed. Further, the question of 'fairness' was to a large extent overlooked at both first instance and on appeal to the Full Federal Court.[185] The highly subjective approach to the questions raised by each taking of copyright material means that there is great uncertainty now as to how transformative users can use copyright material.

3. Marvel v NCSoft

NCSoft and Cryptic Studios are the creators of a popular Massively Multiplayer Online Role Playing Game (MMORPG) in which players create superheroes and do battle with the forces of evil. Marvel are publishers of comic books, one of the two production houses credited with creating, or at least resurrecting, the superhero genre.[186]

Marvel alleged that NCSoft had "created, marketed, distributed and provided a host environment for a game that 'brings the world of comic books alive,' not by the creation of new or original characters but, instead, by directly, contributorily and vicariously infringing upon Marvel

184 See Michael Handler and David Rolph, "'A real pea souper' : The Panel Case and the development of the fair dealing defences to copyright infringement in Australia" (2003) 27(2) *Melbourne University Law Review* 382.

185 Ibid 402, citing as an example Finkelstein J's statement after examining the purpose of news reporting with regards to the clip showing Boris Yeltsin that "[t]hat is all that is required for fair dealing under s 103B(1)(b)" (*TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2002) 118 FCR 417, 424).

186 See "Marvel Comics", *Wikipedia* <http://en.wikipedia.org/wiki/Marvel_Comics> at 6 January 2006. The other similarly large production house is DC comics "DC Comics", *Wikipedia* <http://en.wikipedia.org/wiki/DC_Comics> at 6 January 2006.

copyrights and trademarks."[187] Marvel pointed to the character creation process in City of Heroes, which allows players to design their own superheroes, and, with some work, replicate to some extent the likeness of well known protagonists of Marvel's comic books. Marvel alleged that the flexibility in the character creation system empowers users to infringe their valuable copyrights and trademarks.

The claim is alarming. For years, children have role-played with the characters that form their popular culture. Content producers have used advertising and merchandising so extensively that it is difficult for a child not to be immersed in a world populated by representations of these characters. These same companies encourage children to buy licensed merchandise in order to role-play with their favourite characters. For years children have played not only with that merchandise, but also with home-crafted representations – drawings, paintings, a handmade cape or costume, the possibilities are only limited by imagination. This sort of play is either a symptom of, or fuel for, the popularity of the characters depicted, and is encouraged by the production companies. However, once this role-playing moved into the digital environment, Marvel brought suit for copyright infringement.

It would be unthinkable for a production company to sue children for dressing up as their favourite comic book character and playing in the park. A shift in context to a digital environment is little different conceptually. If Marvel were successful, the ability to role-play online would have been significantly reduced. It is difficult to reconcile how Marvel can on the one hand bombard children with images and merchandise of their characters, in the hopes of encouraging them to play with those characters, and on the other hand, bring suit to restrict

187 Second Amended Complaint, *Marvel Enterprises v NCSoft Corporation* (25 January 2005) *CV 04-9253-RGK* (PLAx) available at <http://www.eff.org/IP/Marvel_v_NCSoft/> (28 November 2005); Most of Marvel's claims for direct and indirect trademark infringement were dismissed by the District Court, except for direct infringement of a common law trademark (*Marvel Enterprises Inc v NCSoft Corporation* (9 March 2005, unreported, Klausner J, *CV 04-9253-RGK* (PLAx)) available at <http://www.eff.org/IP/Marvel_v_NCSoft/> (28 November 2005).

those same children from playing with those characters in an unlicensed setting.

The case was settled out of court in the United States in December 2005. The terms of the settlement were not disclosed, but no changes to NCSoft's City of Heroes character generation process are to be made. Whilst this may be a win for NCSoft in this case, the fact remains that a similar case brought under Australian law may be significantly more difficult to defend.

(a) Primary liability in Australia

Superhero characters are original artistic works for the purposes of Part III of the *Copyright Act*. Liability for primary copyright infringement will occur when a player of a game can be shown to reproduce the characters, or a substantial part of the characters, in a material form, or to communicate a substantial part of the characters to the public.[188] 'Material form' includes "any form (whether visible or not) of storage of the work or adaptation, or a substantial part of the work or adaptation, (whether or not the work or adaptation, or a substantial part of the work or adaptation, can be reproduced)".[189] This broad definition will cover the creation of a character in a game, as will the definition of 'communicate to the public' in a multi-player game (to "make available online or electronically transmit"[190]).

So far, we have mainly examined examples of reproduction and communication of Part IV subject-matter. The rights granted to owners of broadcasts, films, sound recordings, and published editions are not dependent on originality, but are only infringed by copying of the actual copyright material. For Part III original works, however, infringement is not reliant on actual copying. Importantly, this means that the Court will look for objective similarity between the in-game character and the original superhero, and the establishment of a causal link between the original work and the in-game character.[191] Where the two characters

188 *Copyright Act 1968* (Cth) ss 36, 31(1).
189 *Copyright Act 1968* (Cth) s 10.
190 *Copyright Act 1968* (Cth) s 10.
191 *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465; *SW Hart & Co Pty Ltd v Edwards Hot Water Systems* (1985) 159 CLR 466.

are objectively similar, a causal connection may be inferred by the popularity and level of exposure of the original, even if the person is copying subconsciously.[192]

Where only some features of the character have been reproduced, the plaintiff will need to show that those features are substantial. The question of substantiality with respect to Part III works is determined primarily by reference to the original features that have been reproduced. Determining whether a substantial part has been reproduced will again be determined by the qualitative value of the part taken, but the emphasis is on the originality of the reproduced portions. Reproduction of a large quantity of unoriginal features is unlikely to constitute reproduction of a substantial part,[193] but reproduction of a small portion of original material which resulted from a high degree of skill and labour is likely to be substantial.[194]

Given the recent restrictive approach taken by the Federal Court in relation to substantiality in Part IV subject-matter, the features of a superhero are likely to constitute an important part, or a highlight, of the artistic or literary work of a comic book. Unless the court takes into account the type of use made of the player character, it is likely that they will be seen to infringe copyright in the original superheroes. Australian players will not be able to rely on a fair dealing exception to infringement.[195] The logical conclusion is that the players will be liable to the original owner. However, owners of copyright are understandably reluctant to sue their fans for copyright infringement. It is much less embarrassing and more convenient to achieve the same result by suing the producers of the game for secondary liability.

(b) Secondary liability in Australia

Secondary liability for copyright infringement in Australia arises when a

192 *Francis Day & Hunter v Bron* [1963] Ch 587.
193 *Data Access Corp v Powerflex Services* (1999) 202 CLR 1.
194 *Blackie & Sons Ltd v Lothian Book Publishing Co Pty Ltd* (1921) 29 CLR 396; *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465; *Fasold v Roberts* (1997) 70 FCR 489.
195 Reproduction for entertainment will not fit within exceptions for news reporting, research or study, or criticism or review.

person 'authorises' the doing of any act comprised in the copyright.[196] Section 36(1A) tells us that, when determining whether a person has 'authorised' the doing of any such act, the matters that must be taken into account include:

> (a) the extent (if any) of the person's power to prevent the doing of the act concerned;
>
> (b) the nature of any relationship existing between the person and the person who did the act concerned;
>
> (c) whether the person took any other reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.

The meaning of 'authorisation' was recently considered in the Federal Court by Wilcox J in *Universal v Sharman.*[197] This case dealt with authorisation of infringement in sound recordings, but the relevant provisions in the *Copyright Act* for Part III works are worded identically. His honour considered the relevant authorities and extracted some guiding principles. 'Authorise' is to be construed according to its dictionary meaning of "sanction, approve, countenance".[198] Authorisation does not have to be a positive step: "inactivity or indifference, exhibited by acts of commission or omission, may reach such a degree as to support an inference of authorisation or permission".[199] Mere provision of the means of infringement is not enough.[200] Mere inactivity without knowledge will not be enough.[201] Mere knowledge is not enough.[202] An implied general permission or invitation does not require specific

196 *Copyright Act 1968* (Cth) s 36(1).
197 *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) 220 ALR 1.
198 Ibid 90, citing *University of New South Wales v Moorhouse & Angus & Robertson (Publishers) Pty Ltd* (1975) 133 CLR 1 ('*Moorhouse*'), 12.
199 *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) 220 ALR 1, 90, quoting *Adelaide Corporation v Australasian Performing Right Association Ltd* (1928) 40 CLR 481.
200 *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) 220 ALR 1, 98; *Copyright Act 1968* (Cth) s112E.
201 *Adelaide Corporation v Australasian Performing Right Association Ltd* (1928) 40 CLR 481.
202 *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) 220 ALR 1, 90, citing Nationwide News Pty Ltd v Copyright Agency Ltd (1996) 65 FCR 399, 422.

knowledge.[203]

In *Universal v Sharma*n, Sharman Networks was found to have authorised the mass infringement of copyright in sound recordings by providing the software for the Kazaa peer-to-peer filesharing network. The two most important factors considered were that (1) Sharman provided the facilities for infringement; and (2) Sharman had knowledge that Kazaa was being used predominantly to share copyright works.[204] Wilcox J did not accept that there was a large proportion of legal filesharing traffic.[205] It wasn't important that Sharman did not have actual knowledge of infringing acts, merely that it knew that a major proportion of traffic must be infringing.[206]

Next, Sharman had a financial interest in increasing filesharing, because of increased advertising revenue. Because most filesharing is infringing, Sharman therefore had a financial interest in high rates of infringement.[207] Sharman did nothing effective to curb the illicit filesharing on their networks.[208] Sharman ran some campaigns which implicitly promoted illicit filesharing.[209] Critically, Wilcox J found that Sharman could exercise some degree of control over its users.[210]

In *Universal v Cooper*,[211] Cooper operated a website where other parties could post hyperlinks directing users to remote websites where infringing sound recordings could be downloaded. The Federal Court found that Cooper had knowledge of the infringing material, his website facilitated the infringement of copyright, and he had power to exercise some control over the links, but did not do so.[212] Accordingly, Cooper had authorised the infringement of copyright in the sound recordings, notwithstanding that none of the infringing material was hosted under his control, or that the links to the websites hosting the infringing

203 *Moorhouse* (1975) 133 CLR 1, 21.
204 *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) 220 ALR 1, 49, 98.
205 Ibid 49.
206 Ibid 50.
207 Ibid.
208 Ibid 99.
209 Ibid 98.
210 Ibid 100.
211 *Universal Music Australia Pty Ltd v Cooper* (2005) 65 IPR 409.
212 Ibid 429.

material were placed on his website by other users.

Although the decisions in *Universal v Sharman* and *Universal v Cooper* were confined very tightly to the facts of the cases, we are able to see how the same principles could be applied to find a computer game manufacturer liable for secondary copyright infringement. NCSoft provides the means of infringement, could be shown to know of the infringement (depending on how prevalent it is), and have the power to stop such infringement (MMORPGs are much more tightly controlled than distributed filesharing networks). It is also possible that NCSoft could be shown to engage in tacit promotions of infringement in their advertising materials.

The fact that NCSoft's game obviously has many non-infringing players may be the crucial point in any such litigation. In this case, the game developer could probably successfully argue that it should not be held responsible for the infringing behaviour of a small number of its players. However, we must consider whether this is the approach we want to take when we are shaping our digital environments. Are we certain that we only want people to be able to role-play with their favourite media icons in spaces which have been licensed by the appropriate publishers? If a provider of a virtual world made a space (like a park) where players could express themselves as they wanted, should they be liable when a significant portion of those players express themselves in ways that draw on copyright portions of their popular culture?

The disadvantages to such an approach are significant. Primarily, only people who have the ability to pay pop-culture creators have the opportunity to play – at least in the offline world, merchandisers cannot (completely) stop children from using their imagination or someone else's toys to role-play. Next, we again lose a great potential for creative re-expression – the environment must be controlled by the owner or a licensee, meaning that the potential for expression is limited to their ideas of 'safe' playing with iconic characters. We also lose the ability for players to mix genres and media – Marvel characters will be segregated not only from DC Comic superheroes, but also dinosaurs, spacemen, and Walt Disney characters. The qualitative value of play is reduced because it is confined to the boundaries of corporate merchandisers.

The solution is to exempt this type of play from copyright infringement, either by determining that it does not reproduce a substantial part of the original works, or that it should be excused as a fair dealing or fair use of material. Unfortunately, current Australian law does not support such an approach.

4. Machinima

Machinima is the art of filmmaking using computer generated graphics in real-time virtual worlds. Unlike traditional animation, machinima makes use of readily available virtual worlds, typically computer games, where "characters and events can be either controlled by humans, scripts or artificial intelligence".[213] Machinima allows filmmakers to use a pre-existing physics engine (and artwork, characters, and scenery) from a video game in order to develop a compelling story, without the high costs associated with either live-action filming or traditional animation. Essentially, the actors in a machinima film are able to use the game's controls to express themselves, bringing their characters to life through acting, rather than animation. The output of the game, from the point of view of one of the actors or a dedicated camera operator, is captured on a computer for later editing. Because the animation in a game is somewhat limited as to the expressions and movements of the characters, the voice acting and soundtrack that is added to the film plays a very important role in setting the mood.

Machinima involves the re-purposing of computer games for the creative expression of filmmakers. As a film technique, machinima has distinct advantages which are readily apparent. The equipment required is relatively inexpensive consumer hardware and software. Many of the art resources of the game can be re-utilised, meaning that the filmmakers can focus on the important aspects of acting, filming, and editing. Characters can be controlled by actors in real-time, instead of painstakingly animating each movement. Given the considerable budgets of films produced today, machinima provides an excellent

213 Machinima.org, 'What is Machinima? - The Machinima FAQ' <http://machinima.org/machinima-faq.html#what> at 15 November 2005.

avenue for filmmakers to express themselves on an extremely low budget.

The problem faced by machinima filmmakers is that there is great uncertainty as to their legal rights to create and distribute their films. Computer games are both literary works and cinematograph films in copyright law,[214] and may also include original dramatic, musical, and artistic works, as well as many sound recordings. Reproduction of a substantial part of this material in a film will generally not be legal without the permission of the copyright owners. Whether a machinima film could be said to have reproduced a substantial part of the copyright cinematograph film in any given computer game is questionable; however, the copyright in the many individual elements that make up the film will almost certainly be infringed.

Most game publishers do not object to the use of their games by machinima filmmakers, and in many cases, actively encourage their development, by hosting competitions, film festivals, and even introducing features into the game specifically for filmmakers.[215] However, as machinima becomes more popular, and commercial releases of machinima films become more common place, or films which are critical or reflect poorly on the original game are created, the copyright owners may well begin to object. At that point, machinima filmmakers may find themselves in a very difficult legal situation.

Modifying the game to remove all copyright artwork is an option for filmmakers who only want to use the physics engine from the game. Many games provide developers with a way to create 'total conversions' of their game, in effect replacing all the visual elements of the game. This option, while certainly possible for some filmmakers, is generally

214 *Galaxy Electronics Pty Ltd v Sega Enterprises Ltd* (1997) 75 FCR 8.

215 For example, Red vs Blue (http://rvb.roosterteeth.com/) is a popular series which is created using Bungie's Halo game. Machinima in Halo was mainly possible due to a bug in the game, whereby the character model could move his weapons and arms without his head moving. When Bungie released Halo 2, they fixed this bug, but added a feature in multiplayer modes where a player can control the head independently of the gun, a feature which has no purpose or use in actual play. See Bungie.net, 'Red vs. Blue: The Interview Strikes Back' <http://www.bungie.net/News/TopStory.aspx?story=rvbinterview> at 15 November 2005.

unattractive for the majority of machinima creators. Stripping the game back to its bare physics engine is a lot of work for experienced programmers and artists. The advantages provided by the simplicitly of machinima are, to a great extent, lost if, in addition to directors, actors, script-writers, editors, and voice actors, the production crew must include experienced programmers and graphic designers. The game would no longer provide a ready-made framework for the creative expression of filmmakers, but would instead require many hours of intense preparatory work. Additionally, a more subtle drawback to this approach is that the popular significance of the game itself is lost. Machinima filmmakers are often fans of the game used, and often make many references to the game and the game community in the film. Further, it is often the community that has risen around the game that provides the immediate popular outlet for the film. Removing most of the aspects that make the game recognisable would alienate the film from its heritage, and the filmmakers from their community.

If the copyright owners in computer games begin to enforce their rights with respect to machinima creators, the burgeoning industry is likely to suffer. The greatest risk is not that machinima will not be created at all, but rather that only 'safe' machinima, which is acceptable to the owner of the copyright in the game used, will be permissible. Machinima as a genre provides possibilities for many people who would not otherwise have the opportunity to express themselves in film. Its utility quickly evaporates if it becomes merely a tool for the dissemination of advertisements for the copyright owner's game or point of view.

Machinima, as a tool which provides creators with an engine of expression and a means to represent their culture, should be encouraged. Machinima is not about infringing copyright in computer games – it is unlikely that an expressive film of this type would substitute for the game in any way. Further, computer games are generally not designed with the aim of making money from licensing their use to makers of machinima. Indeed, the attraction of the genre seems to be that it is cheap, that license fees are not payable, and that the games are attractive to the filmmakers as games first, and become vehicles for their further expression second.[216] For these reasons,

216 Although this may change as machinima becomes more accepted and

copyright law should not be used to suppress the creation of these films. This is particularly important since it is likely that only negative portrayals will be suppressed, given the gaming industry's acceptance of current films. This indicates that it is not the value of the copyright expression that is being protected through copyright law, but the more nebulous construction of brand identity and marketing investment.

platforms are designed specifically for use in filmmaking.

Chapter IV. The theoretical justification for copyright in transformative works

This chapter will examine the main theoretical underpinnings of copyright law. Firstly, I will argue that the reification of copyright, and the rhetoric of piracy and free-riding, has made it very difficult to examine the theory behind the law. Nevertheless, it is important to examine the theory in order to come to reasonable decisions about the way in which copyright law should evolve. Accordingly, I will consider the justifications provided by the utilitarian economic approach, personality theory (derived from Hegel), and Lockean labour/desert theory. Together, these three theories provide the basis for most of modern copyright discourse. I will conclude that each of these theories is relevant (to varying degrees), and that in resolving tensions between them, we should prefer an approach that furthers democratic processes and culture. From the combination of these theories, I will show that the traditional justifications for copyright do not support exclusive rights over transformative uses.

1. The reification of copyright

Copyright does not exist naturally.[217] It is a construct of society which

217 See the oft-quoted statement from Thomas Jefferson: "If nature has made any one thing less susceptible than all others of exclusive property, it is the action of the thinking power called an idea, which an individual may exclusively possess as long as he keeps it to himself; but the moment it is divulged, it forces itself into the possession of every one, and the receiver cannot dispossess himself of it. Its peculiar character, too, is that no one possesses the less, because every other possesses the whole of it. He who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mine, receives light without darkening me. That ideas should freely spread from one to another over the globe, for the moral and mutual instruction of man, and improvement of his condition, seems to have been peculiarly and benevolently designed by

exists to restrict the flow of expression. Without copyright, once an expression of an idea is released, anyone exposed to it is free not only to use the information conveyed, but also to build upon that expression, to adapt it to his or her own circumstances and uses, to modify it, and to re-express it. Indeed, this free flow of information has led some theorists to suggest that expressions almost have a life of its own, living as they are transferred between people, evolving, and competing for replication (and survival). Ideas and expressions build upon one another, and mutate as they pass through society. Those that are not suitable to their environment, and those that do not adapt, are not passed on – reminiscent of a form of natural selection for ideas and expression.[218]

If we characterise information, once disseminated, as naturally fluid, freely travelling and evolving through social networks, then we must characterise copyright as an artificial barrier to that flow. This, however, is at odds with the way we think of information. We perceive most information as *owned* private property, for which we need permission to copy. As most use of electronic media now involves an element of *copying*, where the electronic input bits are transmitted to the output device and necessarily reproduced at some stage in the technical process, *use* now falls within the ambit of copyright legislation, where it must be authorised by the owner of the copyright.[219]

All use of electronic information requires the permission of the copyright owner. This proposition is far removed from the non-electronic equivalents, where no permission is needed, for example, to read a book or watch a performance. As more and more of our interactions with information occur electronically, the way in which we think of information changes, to the extent that it is now difficult to conceive of

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nature, when she made them, like fire, expansible over all space, without lessening their density in any point, and like the air in which we breathe, move, and have our physical being, incapable of confinement or exclusive appropriation." (Thomas Jefferson, Letter to Isaac McPherson, August 13, 1813).

218 See, for example, Dawkins, *The Selfish Gene* (1976); Susan Blackmore, *The Meme Machine* (1999).

219 *Copyright Act 1968* (Cth) s 10(1) (definition of *material form*), as amended by *US Free Trade Agreement Implementation Act 2004* (Cth); See further Julie E Cohen, "A right to read anonymously: A Closer Look at 'Copyright Management' in Cyberspace" (1996) 28 *Connecticut Law Review* 981.

copyright as being a legal construct and not a natural right that attaches to expression.

Because we treat intellectual property as analogous to real property, we tend to expand rights in information accordingly. The sanctity we place upon personal property, and its association with freedom,[220] we often unwittingly apply to information.[221] Our tendency to lose sight of the assumptions we make in dealing with intellectual property implies that, if we are to come to sound conclusions, we must go back to the theoretical justifications underpinning our intellectual property regimes.

One of the common judicial examples of the reification of intellectual property is the often quoted statement by Peterson J that "what is worth copying is prima facie worth protecting".[222] This proposition has recently been cited with approval in the High Court by Callinan J in *The Panel* (in dissent), leading His Honour to suggest that any copying of a television broadcast would be an infringement of copyright, without needing to look at the substantiality of the portion taken with regards to the programme broadcast.[223] The majority in that case dismissed the statement, holding that "later authorities correctly emphasise that, whilst copying is an essential element in infringement to provide a causal connection between the plaintiff's intellectual property and the alleged infringement, it does not follow that any copying will infringe".[224] The majority cited Sackville J's objection to the test in *Nationwide News v Copyright Agency Limited*:

> [T]he test has a certain "bootstraps" quality about it. The issue of substantiality, in relation to a literary work, arises only where the

220 This close association of freedom with property is derived primarily from John Locke, for whom civil society is essentially designed to preserve the property of individuals (See John Locke, *Two Treatises of Government* (P. Laslett, ed, 1970), *Second Treatise,* [3]: "Political power [is] a right of making laws [...] for the regulating and preserving of property and of employing the force of the community, in the execution of such laws, and in the defence of the common-wealth from foreign injury; and all this only for the public good.")

221 See Mark Lemley, "Property, Intellectual Property, and Free Riding" (2005) 83 *Texas Law Review* 1031.

222 *University of London Press v University Tutorial Press* [1916] 2 Ch 601, 610.

223 *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd* (2004) 218 CLR 273, 326.

224 Ibid 281 (citations omitted).

> work has been reproduced or published, at least in part. If applied literally, the test would mean that all cases of copying would be characterised as reproducing a substantial part of the work. It is therefore unlikely to be of great assistance in determining whether a particular reproduction involves a substantial part of a work or subject matter of copyright.[225]

The limitations of the test were also noted by Lindgren J in *Eagle Homes Pty Ltd v Austec Homes Pty Ltd*:

> Resort to maxims or brief or pithy statements of the law may mislead. There is a danger that too ready an application of Peterson J's 'test' will result in the judge or jury finding the existence of a prima facie case when a proper reading of the evidence does not justify it.

The Courts recognised, in these examples, the dangers of overtly relying on simplistic formulations in determining copyright questions. But the bias towards copyright owners runs deeper, and is not always easily detectable.

The language used to discuss infringement of copyright is telling of society's attitude. Much has been said of the way we equate large scale copyright infringement with 'piracy', one of the most heinous crimes of the 17th century. We also talk pejoratively in terms of 'free-riding', implying that users of information who do not pay for their use are parasites on the productive elements of society.[226] This rhetoric reduces the ability to critically assess whether our copyright system meets the needs of our society.

With regards to transformative uses, this reification means that we have a tendency to disallow transformative use of copyright material, on the basis that it is an interference with the property of another. The threat of interference with property often blinds us to the question of whether the artificial property interests we grant are appropriate and legitimate.[227]

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225 *Nationwide News v Copyright Agency Limited* (1996) 65 FCR 399 at 417–18.

226 See Mark Lemley, "Property, Intellectual Property, and Free Riding" (2005) 83 *Texas Law Review* 1031.

227 See L Ray Patterson, 'Free Speech, Copyright, and Fair Use' (1987) 40 *Vanderbilt Law Review* 1, 58: "characterizing copyright as property eliminates, for all practical purposes, the distinction between the use of

We tend not to stop and ask whether allowing the transformative use may be in accordance with our broader information policy, whether we should allow it on the basis that it furthers the legitimate purposes of copyright law.

The end result of this reification is that we ask ourselves the wrong questions. The interests of the propertied elite, the copyright owners, are often put ahead of the interests of society. Instead of asking 'why should copyright law cover transformative uses?', we ask 'why should we carve out a chunk of copyright owners' property to allow transformative use? If we do, on what terms?'. This reasoning flaw shifts the focus of the questions we ask, and the answers we receive. We need to ask the right questions, and analyse the justifications for copyright law, and see whether, and to what extent, they support an exclusive right to control downstream uses of copyright material in new works.

2. The utilitarian economic justification of copyright

The first argument usually put forward in support of copyright, is that it provides a necessary economic incentive for the creation of original works. The argument is now a familiar one – intellectual property shares the characteristics of public goods, and economic analysis has shown that there will be a strong tendency towards under production of public goods in a free market.[228] A public good is one which is both non-rival, in that one person's use does not lessen the use of another; and non-excludable, in that once released, it is impossible to restrict access to it. Pure information is commonly accepted to be non-rival – the ideas or expression contained in a text can be known and enjoyed by an unlimited number of people simultaneously.[229] While information is not

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the copyright and the use of the work"; see further Yochai Benkler, "Free as the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain" (1999) 74 *New York University Law Review* 354.

228 See William Landes and Richard Posner, "An Economic Analysis of Copyright Law" (1989) 18 *Journal of Legal Studies* 325.

229 See, e.g., Mark Lemley, "Property, Intellectual Property, and Free Riding" (2005) 83 *Texas Law Review* 1031*,* 1051; James Boyle, "Cruel, Mean or Lavish?; Economic Analysis, Price Discrimination and Digital Intellectual Property" (2000) 53 *Vanderbilt Law Review* 2007; Yochai Benkler, "Coase's Penguin, or, Linux and The Nature of the Firm" (2002) 112 *Yale*

completely non-excludable, because additional use can be limited by concealment or secrecy, it is still said to approach non-excludability because reproduction is cheap (particularly now, with the advances brought by the internet) and the costs of concealment are expensive.[230]

Even if information is made excludable (for example with the use of DRM technology[231]), there is some suggestion that it is the non-rival nature of information that really makes it a public good, and that the impact of non-excludability is over-stated.[232] Because information is non-rival, the social benefit maximising price is equal to the marginal cost – meaning that because the information does not devalue with the number of copies made, it is socially desirable that everyone who can afford to pay the cost of reproduction should be able to benefit from having a copy. Accordingly, when the copyright owner sets the price at a value above the marginal cost, underutilisation occurs because the level of production is less than the social benefit maximising level.[233]

There is some suggestion that information is not non-rival, and accordingly does not wholly fit within the public good analysis. Landes and Posner argue that information can devalue through over-use, as the public become tired of an iconic character, or as negative portrayals of an iconic character reduce the demand for the original creator's portrayal.[234] Lemley offers a persuasive argument against this position, on the grounds that (1) the issue is better suited in the right of publicity

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Law Journal 369, 378.

230 Dan Burk, "Virtual Exit in the Global Information Economy" (1998) 73 *Chicago-Kent Law Review* 943, 956; Yochai Benkler, "An Unhurried View of Private Ordering in Information Transactions" (2000) 53 *Vanderbilt Law Review* 2063, 2055.

231 See Stefan Bechtold, "Digital Rights Management in the United States and Europe" (2004) 52 *American Journal of Comparative Law* 323.

232 James Boyle, "Cruel, Mean or Lavish?; Economic Analysis, Price Discrimination and Digital Intellectual Property" (2000) 53 *Vanderbilt Law Review* 2007, 2015; Christopher Yoo, "Rethinking the Commitment to Free, Local Television" (2003) 52 *Emory Law Journal* 1579, 1594-96.

233 See Yochai Benkler, "An Unhurried View of Private Ordering in Information Technologies" (2000) 53 *Vanderbilt Law Review* 2063, 2066; Benkler, "Free as the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain" (1999) 74 *New York University Law Review* 354, 424; Kenneth J. Arrow, "Economic Welfare and the Allocation of Resources for Invention", in *The Rate and Direction of Inventive Activity: Economic and Social Factors* (1962) 609, 619.

234 William Landes and Richard Posner, "Indefinitely Renewable Copyright" (2003) 70 *University of Chicago Law Review* 471, 486-488.

than copyright; (2) there is substantial social value in allowing negative use of cultural icons; (3) customers may prefer the original, or alternatively prefer the secondary use, in which case we may not want to prevent its distribution; (4) competition may encourage further production; and (5) even if the argument is valid, it can only be used to justify restrictions on unauthorised derivative works.[235]

If we do accept the categorisation of information as a public good, the traditional economic conclusion is that people will tend not to invest in the production of information because they will be insufficiently rewarded. The production of information involves two costs: the fixed costs of creating the information, and the marginal cost of producing each copy. Once the work has been created (and disseminated), free-riders are able to copy and redistribute information at a very low fixed cost (because they do not have to recreate the work), thereby driving the price of information down to the marginal cost of reproduction. The result is that the creator will not be able to recoup the fixed cost of creating the work. It follows that a potential investor is unlikely to expend significant resources developing an information product if, because it can be copied and reproduced perfectly and inexpensively, he or she can never see a return on the investment.[236]

There are several common solutions to public goods problems, including provision by the government, government subsidised development, or legislated excludability. It is this last method that has been applied to information in the form of intellectual property laws. Intellectual property laws create artificial excludability by imposing a negative duty on actors not to disseminate information without title or permission. This theory takes a utilitarian form in that it imposes some costs on users of information for the benefit that each member of society receives from stimulated creativity.

(a) Limits of the economic justification

If we accept that an exclusive right to control information may be

235 Mark Lemley, "Ex Ante versus Ex Post Justifications for Intellectual Property" (2004) 71 *University of Chicago Law Review* 129, 145.

236 Christopher Yoo, "Copyright and Product Differentiation" (2004) 79 *New York University Law Review* 212, 214.

necessary to encourage economic investment in the production of information, we must ask whether there are limits to the scope of that exclusive right. It is logically false to assume that if some level of copyright is good, more must be better.[237] Some of the factors imposing limits on the level of copyright protection include the deadweight loss associated with artificial excludability; administrative and transaction costs; the problem of inputs; rent-seeking by copyright owners; overinvestment in the creation of intellectual property; and the ill effects that flow from an over-emphasis on economic incentives.

(i) Deadweight loss

The first problem with creating artificial excludability is that it, by definition, creates artificial scarcity in order to stimulate creation. Information, as we have seen, can benefit many people without lessening the benefit to others, and can be reproduced now at virtually no cost. By creating artificial scarcity, we reduce the positive external effects of information, with the result that those people who would be willing to pay more than the marginal cost, but less than the price set by the copyright owner, will be denied access to the product.[238] Economists call this social cost the deadweight loss associated with monopoly pricing. As we have seen, in a competitive market, there is no deadweight loss, because the price of the information good would be equal to the marginal cost, meaning that anybody who is able to pay the cost of reproduction could have access to the information. As the cost of copying approaches zero (due primarily to electronic media and increases in computing power and network bandwidth), the size of this segment of society increases very rapidly, and this problem is accentuated. We are decreeing that the poor should not have access to information, even if it costs nothing to reproduce, and their use imposes no costs on any other person.[239] The argument against this proposition,

237 See, for example, Keith Aoki, "Neocolonialism, Anticommons Property, and Biopiracy in the (Not-So-Brave) New World Order of International Intellectual Property Protection" (1998) 6 *Indiana Journal of Global Legal Studies* 11, 27.

238 William W. Fisher III, "Reconstructing the Fair Use Doctrine" (1988) 101 *Harvard Law Review* 1661, 1701.

239 James Boyle, "Cruel, Mean or Lavish?; Economic Analysis, Price Discrimination and Digital Intellectual Property" (2000) 53 *Vanderbilt Law Review* 2007, 2031.

that if the people were allowed access to information which has been priced out of their price range, nobody would pay and the information would not have been produced in the first place, is one that must be examined closely given the risk of removing the benefit of an effectively free social resource to a large segment of society.

There is another efficient solution to deadweight losses, one which is unsurprisingly attractive to the copyright industries. Whereas free market competition would drive prices down to marginal costs, a monopoly with perfect price discrimination could sell each item at exactly the price that each person is willing and able to pay. This would have the effect of allocating all the consumer surplus to the publisher, ensuring that each customer could afford to buy the product, and providing the greatest possible revenue to publishers. The drawbacks to this proposition are significant. Firstly, contrary to accepted competition policy, the entirety of the consumer surplus is appropriated by the manufacturers, with the result that each individual is only able to afford access to a smaller range of information than under competition.[240] Secondly, the process of near-perfect price discrimination would require the near-perfect eradication of individual privacy, as publishers would necessarily need to accurately ascertain each person's demand for each product. Thirdly, people would only be exposed to information for which they are willing to pay – the opportunity for accidental discovery is lost, as is the ability to engage in any free content-level dealings with the information.[241] Fourthly, implementing price-discrimination is costly, and the producer is not likely to expend the money needed to correctly ascertain which users value the product at a price between zero and the cost of implementing price-discrimination, and is much more likely to

240 Julie E Cohen, "Copyright and the Perfect Curve" (2000) 53 *Vanderbilt Law Review* 1799, 1806-7. Michael Meurer argues that many information products are targeted at lower income consumers, and that "price discrimination that causes the sum of consumer suprlus for [...] consumers to fall in a market with mostly low-income consumers exacerbates income inequality by transferring wealth from the poor consumers to the firm." (Michael Meurer, "Copyright Law and Price Discrimination" (2001) 23 *Cardozo Law Review* 55, 93).

241 See Robert Heverly, 'The Information Semicommons' (2003) 18 *Berkeley Technology Law Journal* 1127; see further James Boyle, "The Second Enclosure Movement and the Construction of the Public Domain" (2003) 66 *Law and Contemporary Problems* 33.

simply bar access to the work from this segment of the market.[242] Finally, since perfect price discrimination is not feasible, producers must engage in imperfect price discrimination, for which there is no guarantee that efficiency will be maximised.[243]

Michael Meurer argues further that the fundamental argument for price discrimination is flawed, firstly because optimal incentive to create copyright works is somewhat less than the full social value of the works. As consumer attention is a limited common resource, high rewards encourage production races to capture that attention, which are duplicative and wasteful.[244] Secondly, "the private incentive created by expected profit can easily exceed the expected social value of a work", particularly where there are close substitutes for a work, and the new work displaces users of existing works without attracting any new consumers.[245] Glynn Lunney argues that allowing the producers of information goods to recoup the entirety of the consumer surplus distorts the market, because producers of physical goods are only entitled to the marginal cost, leading to over-investment in the creation of information goods.[246] Further, Lunney notes that copyright owners should not appropriate the whole of consumer surplus because they are not solely responsible for the value of their works. The amount of money a consumer has to spend on a work of authorship is dependent on the price extracted for all other goods and services that consumer values more than the work – noting for example that if "the state had established a lawful monopoly in the provision of food that permitted food suppliers to charge each consumer her reservation price for her food, a consumer would have far less, if any, money left to spend on works of authorship".[247] These points undermine the argument put forward that firms will only make the socially optimal investment if they

242 Yochai Benkler, "An Unhurried View of Private Ordering in Information Transactions" (2000) 53 *Vanderbilt Law Review* 2063, 2073; Michael Meurer, "Copyright Law and Price Discrimination" (2001) 23 *Cardozo Law Review* 55, 100.
243 See Michael Meurer, "Copyright Law and Price Discrimination" (2001) 23 *Cardozo Law Review* 55.
244 Ibid 96.
245 Ibid 97.
246 Glynn S Lunney, Jr, "Reexamining Copyright's Incentives-Access Paradigm" (1996) *Vanderbilt Law Review* 483, 575.
247 Ibid.

can appropriate all of the social value from their investment.

(ii) Administration and transaction costs in inputs

Another limitation to the economic justification of copyright, particularly relevant here, is the problem of inputs. If we accept the proposition that intellectual works are not born of a vacuum, but instead build on other, earlier works, then we must accept that at some point those earlier works built off new works themselves. Accordingly, the further copyright reaches, that is, the longer it lasts, the broader the activities it restricts and the wider the range of works it covers, then the greater the negative effect on the creation of new works it will have. In a smoothly operating free market, these costs will be kept low and will eventually be passed on the the consumers.

However, these type of frictionless transactions are impossible to achieve in reality. Copyright clearance costs include not only the cost of licensing copyright, but the transaction costs lost along every step.[248] It is notoriously difficult to track down copyright owners, and more so the longer copyright lasts.[249] Negotiation costs, lawyers fees, litigation costs, must all be factored into the copyright cost.[250]

These costs add up such that there must exist a point at which the cumulative negative effects of transaction costs in creating a work will outweigh the expected return on the work that copyright provides, or exceed the benefit of using the earlier work as an input. At this point, the economic justification for copyright will not be sustainable. Determining where this point lies is difficult, but recognising its existence allows an appreciation that the economic incentive argument for copyright is not unlimited.

There are (partial) solutions to these transaction costs problems, including, among others, the implementation of statutory licensing

248 See Richard Posner, "Transaction Costs and Antritrust Concerns in the Licensing of Intellectual Property" (2005) 4 *John Marshall Review of Intellectual Property Law* 325.

249 William Landes and Richard Posner, "Indefinitely Renewable Copyright" (2003) 70 *University of Chicago Law Review* 471, 479-80.

250 Mark Lemley, "The economics of Improvement in Intellectual Property Law" (1997) 75 *Texas Law Review* 989, 1053.

schemes, of registration systems for copyrights to reduce the identification costs, the use of collecting societies to negotiate mass licences and distribute royalties, and the use of standard form licences to reduce drafting and legal costs. These methods can go a long way to reducing, but not eliminating, transaction costs. The problem of transaction costs still places an upper bound on the incentives provided by copyright protection.

(iii) Inputs into non-market or public goods

In an efficient market, copyright costs (excluding transaction costs) are eventually passed on to the consumer as part of the cost of creation. This holds true for the creation of pure economic goods, which are both rival and excludable. With goods that are excludable but (partially) non-rival, the producer must set a price for the goods which is likely to cover the cost of creation given the expected number of sales. However, input costs cannot be passed on in the creation of public or non-market goods. If a good is non-excludable, the input costs are not able to be recovered by the creator. Likewise, if a good is never meant to be sold, but is created for non-economic reasons, the creator will have to bear the input costs.

Brett Frischmann has refined economic analysis of open access arguments for inputs produced by infrastructure resources, which he defines as resources that can be consumed nonrivalrously, for which demand "is driven primarily by downstream productive activity that requires the resource as an input", and the resource "may be used as an input into a wide range of goods and services, including private goods, public goods, and nonmarket goods".[251] Where the infrastructure resource is used to create private goods, it will be commercial in nature, and the market will be able to efficiently evaluate demand if the resource is managed in a private manner.[252] Frischmann argues that when the resource is used as an input to public goods or nonmarket goods, however, there is a significant risk that markets will not properly manifest demand due to demand-side externalities.

251 Brett Frischmann, "An Economic Theory of Infrastructure and Commons Management" (2005) 89 *Minnesota Law Review* 917, 956.
252 Ibid 962.

Some forms of information goods fit into Frischmann's infrastructure classification – certainly many works covered by copyright can be simultaneously enjoyed by many people, are used as inputs in further production, and can be used in the production of private goods, public goods and nonmarket goods.[253] Because the social value of open access to information may be greater than the price each user is willing to pay (be it because network effects increase the value of an information good as more people consume it,[254] or because the infrastructure is used to create public goods with positive externalities, or because the infrastructure is used for the nonmarket enjoyment of users[255]), open access management may be necessary. Otherwise, if access to information is managed privately, emphasis will generally be placed on the commercial reuses of information, from which the provider can appropriate the full value, and neglect other reuses, for which users are unwilling to pay the full value (due to positive externalities), with the likely result that social welfare is not maximised.[256]

The utilitarian rhetoric of copyright frequently ignores the fact that a significant portion of creators do not create for economic reasons. The motivations behind creativity vary widely, and are present in different proportions in all creators. When we talk about economic incentives to create, we ignore these other incentives. Benkler notes that providing economic incentives may actually reduce the social value of creativity, resulting in lower total incentives, where the social stigma associated with economic creation exceeds the monetary benefits.[257] Benkler provides an example of the open source software community, who may "attach a negative social value to contributions of those who demand to

253 Frischmann gives the example of basic research as one information good which should be considered an infrastructure resource, but contrasts specific research like vaccines, which have a limited range of downstream uses as inputs (Ibid, 991)

254 Mark Lemley and David McGowan, "Legal Implications of Network Economic Effects" (1998) 86 *California Law Review* 479, 491.

255 Brett Frischmann, "An Economic Theory of Infrastructure and Commons Management (2005) 89 *Minnesota Law Review* 917, 972.

256 Ibid 975.

257 Yochai Benkler, "Coase's Penguin, or, Linux and The Nature of the Firm" (2002) 112 *Yale Law Journal* 369, 434: This occurs "where the cultural construction of the social-psychological rewards places a high negative value on the direct association of monetary rewards with the activities."

be paid for their contributions".[258] This may also happen, for example, when members of communities of amateur remixers of music or film attempt to commercialise their work. These communities benefit from sharing of their work, as each member is able to examine, critique, and draw upon the work of other members. If a significant proportion of those members chose to seek remuneration for their work, the social incentives derived from the open community are diminished for all creators. In these situations, economic incentives are likely to be either ignored in the creative process, or may discourage that process altogether.

Imposing copyright input costs on non-economic creators will either result in a disincentive because the creator will be personally out of pocket, or cause the creation to become economic in nature, in order for the creator to pass on his or her costs, again resulting in a possible disincentive due to the loss in perceived social value of non-economic creation. The conclusion is that copyright costs should ideally not be imposed on transformative users who are engaged in the creation of public or non-market goods. Of course, reusers of copyright material must not be able to disguise a simple repackaging of copyright material as a non-market transformative use in order to fit within such an exception to copyright infringement.

(iv) Rent-seeking

Another limitation to the economic efficiency argument is that the expiration of copyright encourages copyright owners whose (valuable) works are about to fall into the public domain to lobby government for the extension of copyright terms. This produces a significant social loss, stemming both from the costs of lobbying (and opposing the lobbying),[259] and the increased deadweight and transaction losses that will be incurred if the lobbying is successful and the copyright term is increased. These losses are not offset by any increase to incentives to create, because the works affected have already been created. Landes

258 Ibid, 433

259 Lemley argues that "economic theory suggests that private parties will spend up to the total value of the benefit seeking to capture it" (Mark Lemley, "Property, Intellectual Property, and Free Riding" (2005) 83 *Texas Law Review* 1031, 1065).

and Posner argue that rent-seeking in this context could be reduced either by imposing a constitutional restriction forbidding retroactive extensions or, preferably, making the term of copyright infinitely renewable.[260] The concept of infinitely renewable copyrights is an interesting one, which has the potential of opening up many low value copyright works to the public domain. High value works, however, are likely to remain locked up under such a system, potentially for much longer than they currently are.

Another example of rent-seeking is the inflated monopoly licence fees often charged by copyright owners. The copyright owner is free to hold-out in licence negotiations. Because of their monopoly position, copyright owners are often in positions of power with regard to transformative users, or prospective transformative users. It is not unheard of for music publishers to charge 100% of the royalties on a song for using a sample of one of their sound recordings, for example.[261] Particularly in cases where a transformative work makes use of many copyright works, the copyright fees can stack up significantly, and sometimes equal the entire revenue from a work. If a copyright owner must be compensated for transformative uses of their copyright material, it would be wise to adopt a statutory licensing scheme or similar method to prevent strategic behaviour and unfair exploitation of the copyright monopoly.

(v) Over-investment in the creation of intellectual property

If the returns provided by copyright to expressive works significantly exceed the returns expected for an equal investment in other products which provide a similar amount of social value, the incentive to invest in information goods will be inefficiently high. Over-incentive to produce information goods can distort the market, causing more investors to be drawn away from other socially useful products.[262]

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260 William Landes and Richard Posner, Indefinitely Renewable Copyright (2003) 70 *University of Chicago Law Review* 471, 483.

261 See Steve Collins, 'Good Copy, Bad Copy' (2005) 8(3) *Media and Culture*, at [7].

262 Glynn S Lunney Jr, "Reexamining Copyright's Incentives-Access Paradigm" (1996) 49 *Vanderbilt Law Review* 483, 655.

The high rewards offered by investment in the creation of intellectual property does not just mean that more people will invest in creating copyright works, but particularly that more people will invest in the high-end market, like the lucrative entertainment sector, where a high level of homogeneity can already be seen.[263] The corollary, of course, is that "the commercial mass media will be likely to underproduce content reflecting the views, sensitivities, and tastes of the poor".[264] Investors are also likely to over-invest in producing works which are highly valuable in secondary markets, resulting in the "further concentration of investment in mainstream expressions [and the reduction in] expressive diversities".[265]

Mark Nadel has suggested that the high rewards offered by copyright encourages an all-or-nothing race for consumer attention. Since the value of the most popular expressions are disproportionally inflated, copyright owners will invest large amounts in marketing to capture the rents offered at the high-end of the market.[266] The result, Nadel argues, is that because revenues from popular works increase disproportionally, producers must either "spend even more money on marketing simply to retain their sales and revenues" or "refrain from further increasing marketing expenditures, but see their works' sales and revenues

263 See Julie E Cohen, "Copyright and the perfect curve" (2000) 53 *Vanderbilt Law Review* 1799, 1814 ("while it is both right and fair to argue that copyright should seek to promote the widest possible dissemination of knowledge, it defies common sense to insist that this aspiration can be satisfied by substituting a diet of standardized, mass-produced "infotainment" for the broader diversity of content that fair use and freely accessible public libraries guarantee."); see further Neil Netanel, Market Hierarchy and Copyright in Our System of Free Expression (2000) 53 *Vanderbilt Law Review* 1879, 1883 ("even a competitive media marketplace may ultimately serve entrenched corporate and commercial interests, and may overwhelmingly reflect the values and culture of dominant social and ethnic groups, at the expense of outlying minorities and the poor.")

264 Neil Netanel, "Market Hierarchy and Copyright in Our System of Free Expression" (2000) 53 *Vanderbilt Law Review* 1879, 1883.

265 Naomi Abe Voegtli, "Rethinking Derivative Rights" (1997) 63 *Brooklyn Law Review* 1213, 1243. The author gives an example that "a successful animation film targeted toward younger audiences would generate revenues from many sources--videos, books, toys, computer games, music, and television shows".

266 Mark Nadel "How Current Copyright Law Discourages Creative Output: The Overlooked Impact of Marketing" (2004) 19 *Berkeley Technology Law Journal* 785, 797.

decline".[267] In either case, "increased marketing costs or decreased revenues [...] likely lead many otherwise marginally profitable creative projects to become unprofitable and therefore no longer be produced."[268]

This threat of over-investment has lead some commentators to argue that the incentives provided by copyright should not extend to transformative uses. Glynn Lunney explains that some level of derivative protection may be necessary to stimulate investment in information goods. A derivative user of a work is likely to be able to pay much more for the single copy of a work she requires, because she will factor her entire expected profit into her reservation price. A derivative user of a chattel, on the other hand, must divide her expected profit between each of the units she will need to purchase. Accordingly, to maximise profits, absent price discrimination, an investor in information works must either price the work at the rate that normal users are willing to pay, or the rate that transformative users are willing to pay, and will thus be unable to capture one side of the market. Because the disparity in reservation prices is much lower in physical goods, the producer of those goods can sell at the same price to both sides of the market and capture much of the value. Therefore, the rational investor will prefer to invest in tangible goods.[269]

However, too strong a derivative right will mean that the copyright owner can extract a much higher premium, and lead to over-investment in information goods.[270] Lunney argues that derivative rights should only exist where (a) the derivative use exploits the public good nature of the work (one copy can be licensed as an input into many derivative copies); (b) the same is not true with chattels; and (c) the reservation price of the derivative user is significantly higher than that of the typical user.[271] With respect to derivative uses, Lunney concludes that "copyright should prohibit only exact or near-exact duplication and certain nontransformative derivative uses of a copyrighted work".[272] If economic

267 Ibid 802.
268 Ibid.
269 Glynn S Lunney Jr, "Reexamining Copyright's Incentives-Access Paradigm" (1996) 49 *Vanderbilt Law Review* 483, 639.
270 Ibid 640.
271 Ibid 641-44.
272 Ibid 656.

rents on transformative uses of copyright material are reduced or eliminated, the expected return for investment in creative expression will more closely approach the expected return for a similar investment in an equally socially beneficial non-information good.[273] Accordingly, if the monopoly granted by copyright law is confined to the value of the actual expression produced, significant market distortions can be avoided.[274]

(vi) Difference in value

Where an owner of copyright has the ability to control the creation of transformative works, the differences in value of the transformative use to the copyright owner, the transformative user, and society as a whole, may often result in allocative inefficiency. For example, if a proposed transformative use is highly critical of, or reflects poorly upon, the original work, the copyright owner will often subjectively value the ability to restrict the creation or distribution of the transformative work higher than the amount that the transformative user is prepared to pay. The inefficiency arises because the transformative use may be beneficial to society, in that it provides needed criticism, or for its intrinsic value. The benefit to society as a whole may exceed the expected loss to the copyright owner, but the transaction does not go ahead because the potential licensee cannot internalise the benefit to society, and thus cannot pay the copyright owner the full value of the work.

The traditional response to this inefficiency is to give a wide berth to criticism as an exception to copyright infringement. However, the inefficiency does not occur solely where the transformative use is critical of the original work, or the original author. In any situation where a proposed use is detrimental (or appears to be detrimental) to the copyright owner, but beneficial to the public, the transformative user may not be able to afford the licence fee for the use, if one is offered. This assumes, of course, that the copyright owner is prepared to negotiate. There is no guarantee that copyright owners will always act in an economically rational manner. In this way, copyright acts as an

273 Ibid 639-40.

274 See also Stewart Sterk, "Rhetoric and Reality in Copyright Law" (1996) 94 *Michigan Law Review* 1197, 1215-16; Naomi Abe Voegtli, "Rethinking Derivative Rights" (1997) 63 *Brooklyn Law Review* 1213, 1244.

incentive to stifle the creativity of transformative users, by placing the power to control transformative works in the hands of copyright owners who must consider not only the economic cost of creating and licensing the work, but also the effects of the transformative work on their market and reputation, and the character of the proposed licensee. This can lead to a problem where the copyright owner refuses to issue copyright licences in order to gain a competitive or other advantage.[275] These subjective considerations remove the link between copyright as an economic incentive to create, because they effectively provide rights over reputation and other unrelated factors.[276]

This analysis leads to the logical conclusion that where a copyright owner has the ability to control transformative works, there is a significant risk that only proposed uses which are beneficial to the copyright owner will be permissible. A risk averse copyright owner is unlikely to license transformative works which have the potential to reflect poorly on his or her interests.[277] This means that society will lose out on many valuable transformative uses of copyright material, and that much of the transformative works that are created will often be bland and inoffensive. It is unlikely that the social benefit of transformative works can ever be fully satisfied by licensed users.

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275 See Simon Genevas, 'Against Immunity for Unilateral Refusals to Deal in Intellectual Property: Why Antitrust Law should Not Distinguish between IP and Other Property Rights' (2004) 19 *Berkeley Technology Law Journal* 741 (highlighting the problem of refusals to license intellectual property rights to protect the owner's other interests); see Kevin Lindgren, "The interface between intellectual property and antitrust: Some current issues in Australia" (2005) 16 *Australian Intellectual Property Journal* 77 (explaining the tension between copyright licensing and anti-competitive behaviour in an Australian context).

276 See, for example, *Commonwealth of Australia v John Fairfax & Sons* (1980) 32 ALR 485 (Injunction granted to prevent threat of copyright infringement where a newspaper was publishing information about the East Timor crisis which reflected poorly on the Commonwealth Government); *Hubbard v Vosper* [1972] 2 QB 84 (where the Church of Scientology attempted to prevent a former member of the church from publishing a book which contained extracts of the church's teachings); see Further David Fewer, "Constiutionalizing Copyright: Freedom of Experssion and the Limits of Copyright in Canada" (1997) 55 *University of Toronto Faculty of Law Review* 175, 197 (discussing the use of Crown copyright to stifle criticism of the government).

277 See Neil Netanel, Market Hierarchy and Copyright in Our System of Free Expression (2000) 53 *Vanderbilt Law Review* 1879, 1910: "given media conglomerates' common conservatism, prospective speakers seeking to reformulate popular expression in controversial ways are unlikely to find substitutes when denied a license by any given content owner."

(b) Commons critique

Over the last few years, some intellectual property scholars have begun to think of the range of potential ideas and expression as a commons – a field of ideas which belongs to all members of society, which any member is able to use to create their own inventions and expression, and over which no member has the right to exclude any other member. New expression, once released, also becomes part of the commons, and open for anyone to use.

Copyright, then, is the partial propertisation of the commons; government granted private property rights have been carved out of the range of possible expression.[278] Copyright provides excludability to expression, closing or restricting access to information. Conceiving the intellectual commons provides an important critique of the economic utilitarian approach.

Traditional commons theory tells us that without the ability to exclude users, the commons will quickly become depleted. The 'tragedy of the commons' refers to the expected exhaustion scenario where too many people have rights of access, and no incentives to restrict their actions for sustainable use of the property held in common.[279] If everyone can fish from a lake, or log from a forest, there is nothing to stop anyone from overfishing or overlogging. Each person will tend to try to maximise the amount of material they can appropriate from the commons. After all, why would a rational person try to conserve the resources, if none of the other people with access are likely to slow their production?

But a commons of potential ideas and expression cannot be exhausted through overuse. Information, as we have seen, is a non-rival good. One person's use does not lessen another's enjoyment.[280] In fact, the utilitarian conception contends that an intellectual commons would tend

278 See Lawrence Lessig, *The Future of Ideas: The Fate of the Commons in a Connected World* (2001) 11-16.

279 Hardin, *"The Tragedy of the Commons"* (1968) 162 *SCIENCE* 1243 (1968), *reprinted in Economic Foundations of Property Law* 2 (B. Ackerman ed. 1975).

280 Except, as Landes and Posner suggest, in questions mainly related to trademark and publicity rights (William Landes and Richard Posner, Indefinitely Renewable Copyright (2003) 70 *University of Chicago Law Review* 471, 486).

to be under-developed rather than overused. The tragedy in this case is that without a right to restrict access, people will not expend the resources required to create expression from the commons. Individuals do not invest in enhancement or upkeep through fear that their hard work will be appropriated by others to their detriment.

In resolving these tragedies, the decision to privatise the intellectual commons must always take into account the social cost of depriving members of the public from accessing certain parts of the commons. In an intellectual commons, each member of the community can access, use, learn from, and re-express information without being restricted by price. Transaction costs involved in obtaining copyright licences are avoided. The ability of authors and publishers of expression to refuse permission to access or reuse material is removed. When we privatise the commons, we lose important opportunities for open access. It is crucial that when we decide to grant private property rights, we understand the benefits and disadvantages of doing so. Below, I will outline three areas of commons theory which cast some doubt on the claim that utility is maximised by granting private property rights in expression.

(i) The comedy of the commons

One of the familiar critiques of utilitarian theory is the difficulty in assessing utility. When we measure 'benefit' to individuals within society, we generally focus on economic success. Dagan and Heller argue that the utilitarian approach is insufficient "when utility can not be safely reduced to wealth alone, [...] when the social gains from cooperation are not just fringe benefits, but instead are a major part of what people seek."[281] This, in a sense, is the core problem with an economic analysis of intellectual property. The way we deal with information may have a significant economic factor, but it is not purely economic. The social benefits of creative expression are not easily quantifiable, and thus are not easily recognised by a utilitarian justification.

281 Hanoch Dagan and Michael Heller, "The Liberal Commons" (2001) 110 *Yale Law Journal* 549, 552.

We have already seen that individuals in society benefit from being able to play with the texts that form their culture. Importantly, the value of interactions with culture is not just the intrinsic value of being able to access and utilise the information to each individual, but the benefit that each individual derives from being able to share with others, to play with, to discuss, to change their culture with others. There are many examples of these benefits: children roleplaying together as their favourite characters from popular culture; musicians jamming together, building off each others' work; the rich ambience of public theatre or cinema; or the collaborative development of free software. The value of expression to an individual is more than its pure use-value – significant benefit is often derived from sharing the expression with others.[282]

The value of this derived social benefit is not easily quantifiable. When it is quantifiable, it is not easily appropriated by copyright owners. The result is market failure. Private property rights in expression are not always able to allocate resources efficiently, because users of copyright are not always prepared or able to pay for the full social value of their use. Carol Rose argues that commons-based management of resources is useful "where many persons desire access to or control over a given property, but they are too numerous and their individual stakes too small to express their preferences in market transactions".[283]

Commons-based management of information is beneficial in and of itself because of the benefit that individuals derive from being able to share expression with others. While there is nothing strictly preventing private copyright owners from offering their works to members of society to play with socially, there is little incentive for them to do so. The nature of play is often spontaneous, and is often non-market based. The

282 See Yochai Benkler, "Coase's Penguin, or, Linux and The Nature of the Firm" (2002) 112 *Yale Law Journal* 369; Yochai Benkler, "Sharing Nicely: On Shareable Goods and the Emergence of Sharing as a Modality of Economic Production" (2004) 114 *Yale Law Journal* 273.

283 Carol Rose, "The Comedy of the Commons: Custom, Commerce, and Inherently Public Property" (1986) 53 *University of Chicago Law Review* 711, 719.

imposition of requirements to obtain licences to play with copyright material is likely to have a chilling effect on social interaction.

As technological advances provide more ways to isolate copyright material to a particular individual, each individual can become increasingly isolated from society. For example, digital media and computer software that is tied to an individual user account, through the use of Digital Rights Management (DRM) technologies, has the potential to prevent sharing of media with others.[284] Other users are simply not able to play media that has been encrypted for the first individual. Copyright owners could conceivably charge extra for the ability to be able to share the media with other users, and could limit the maximum number of times a particular file can be shared, or the number of other people who may access it. Copyright owners could also charge for the rights to transform the work, meaning that only fully paid up consumers could participate in the social process.

While the technology to limit access to media to individuals is not fully mature or deployed yet, some incarnations of the basic idea are starting to surface. Apple's iTunes, for example, imposes technological limits on the amount of copies that can be made of digital music.[285] After significant public pressure, Sony recently recalled 2.1 million music CDs that contained a form of copy protection which prevented the copying of music on the discs, and the use of the music in non-supported music players, including the Apple iPod.[286] With relation to music only, these examples show that the social uses we have previously taken for granted, like being able to make a copy of a song for a friend, or the new opportunities that exist with digital media, like being able to edit the song collaboratively, can be limited by technology backed by copyright laws and anti-circumvention laws.

Copyright maximalists can still argue that if the market were efficient,

284 See Stefan Bechtold, "Digital Rights Management in the United States and Europe" (2004) 52 *American Journal of Comparative Law* 323.
285 See "FairPlay", *Wikipedia* <http://en.wikipedia.org/wiki/FairPlay>.
286 "Sony to pull controversial CDs, offer swap", *USA Today*, 14 November 2005 <http://www.usatoday.com/tech/news/computersecurity/2005-11-14-sony-cds_x.htm?csp=34> at 05 December 2005.

purchasing the rights to do any of these things would be simple and painless. The users could benefit from their social interactions, and the copyright owners could benefit from the newly extracted licence fees. This logic is flawed for two reasons. The first is that the market is not efficient. Transaction costs will present a chilling effect to social interaction. The second reason is the strong objection that moving social play into the market debases the value of the interaction. Suggesting that only those members of society who can afford to pay licensing costs are allowed to interact with popular media means that we are only enlarging the gap between the information haves and have-nots. Requiring permission from corporate copyright owners in order to engage in non-market social interactions with media is disconcerting. This can lead to a scenario where only 'clean' interactions are permissible, or where copyright owners can exercise their power to prevent certain people or classes of people from engaging with the material.

While these potential limits are more visible in the digital environment, they are not confined there. Increasing legal limits on which interactions with copyright material are permissible, even without technological limits, still has the same chilling and stratifying effects. These fears provide significant weight to the proposition that if we can avoid the tragedy of the commons, either over- or under-use, we should encourage common interests in expression.

To the extent that we do want to encourage an intellectual commons, the law can help overcome tragic choice. Dagan and Heller argue that we are not constrained to choose between liberal commitments and the economic and social benefits available in a commons, that law can mediate liberty and community.[287] By providing the basis of social norms that enable users of a commons to work together, copyright law can ensure that members of society retain the ability to interact with media, but also that there is sufficient incentive to generate more expression and continue a vibrant culture. I will canvas some ideas about what this commons may look like below.

287 Hanoch Dagan and Michael Heller, "The Liberal Commons" (2001) 110 *Yale Law Journal* 549, 622.

(ii) The tragedy of the anticommons

The next possible objection to the granting of private property rights in expression is what Heller calls the 'tragedy of the anticommons'.[288] Heller provides a framework for considering the tragedy of under-use that occurs when there is a fragmentation of rights in property, such that there are a number of people with the right to exclude others, but no-one has a clear right to use the property. As an example, Heller looks at store-fronts in post communist Russia, which remain empty while merchants line the freezing streets, or the near impossibility of rebuilding in Kobe after a 1994 earthquake, where a single tenant can effectively block the rebuilding of an entire block.

Heller recognises that over time, market or government forces can accumulate property rights in anticommons property in a single entity, but these forces will not always be successful, even in fully developed markets, due to transaction costs, holdouts and rent-seeking from strategic actors. Heller suggests that the solution is not, as commonly believed, simply to ensure that property rights are clearly defined, but to ensure that the contents of property bundles do not overly conflict.

The answer in copyright law has generally been to allow contractual negotiation to vest the rights in a work which consists of multiple copyrights in the publisher. This does not, however, resolve all the problems caused by too many rights of exclusion, particularly where there is more than one copyright work being used. This will often be the case in transformative works, where a prospective author needs to clear rights from many different copyright owners.

One example of such a tragedy are public archives. In the UK, the BBC has committed to making significant portions of its archives available to the public at no cost.[289] The problem it has encountered, however, is that the ownership of much of the material in the archives is uncertain. A large proportion of the copyrights in the stock footage, television

288 Michael Heller, "The Tragedy of the Anticommons: Property in the Transition from Marx to Markets" (1998) 111 *Harvard Law Review* 621.

289 See BBC, "BBC Creative Archive pioneers new approach to public access rights in digital age" (Press Release, 26 April 2004) <http://www.bbc.co.uk/pressoffice/pressreleases/stories/2004/05_may/26/creative_archive.shtml>.

episodes, and miniseries that make up the archive are not owned by the BBC, and tracking down the owner is a difficult and laborious task. While the BBC may, in a large number of cases, have the only existing master copies of many of this footage, it is unable to make use of them because of the difficulty in clearing copyright.[290]

Other examples exist, particularly in cyberspace. As express copyright licences become more common, and impose more restrictions, the problem of licence incompatibility increases. For example, Dan Hunter raises questions about the continuing usefulness of web search engines in an environment where any access to a webpage requires agreement to terms of use and copyright licences.[291] A similar problem is occurring in the free and open source software community. While the GNU General Public Licence (GPL) is the most popular of the free software licences, its stringent requirements of guaranteed freedom mean that it is incompatible with many other popular free software licences. For example, code from Mozilla Firefox, the popular open source web browser, can not be incorporated into works licensed under the GPL.[292] The problem has also been promulgated into the broader open access community. Wikipedia, for example, is available under the GNU Free Documentation Licence, which is incompatible with the popular Creative Commons suite of licences.[293] Although each of these free licences have the same objective, of creating a contributory commons of software or other information, their incompatibilities prevent authors from drawing on material from different sources. While copyright is instrumental in creating the copyleft 'share-alike' requirement which protects the contributory commons,[294] a commons in which each contributor imposes potentially different limitations on the use of their material often makes

290 Interview with Paula Le Dieu, Co-director, BBC Creative Archive (Brisbane, 01 March 2005).

291 Dan Hunter, "Cyberspace as Place and the Tragedy of the Digital Anticommons" (2003) 91 *California Law Review* 439.

292 See Mozilla Relicensing FAQ, Mozilla.org <http://www.mozilla.org/MPL/relicensing-faq.html>. Mozilla is now undertaking to relicense all code under a MPL-GPL-LGPL tri-licence.

293 Some contributors to Wikipedia have opted to dual-license their contributions under both the GPL and the CC-BY-SA: See <http://en.wikipedia.org/wiki/Wikipedia:Multi-licensing>.

294 See Brian Fitzgerald and Nicolas Suzor, "Legal Issues for the Use of Free and Open Source Software in Government" (2005) 29(2) *Melbourne University Law Review* 412, 416-7.

it very difficult for downstream users. The task of tracking down each user and seeking permission to use the material in an open manner is often prohibitively expensive.

A similar type of tragedy can also occur where the ownership of the information is clear. There are situations where even one right to exclude is too many. One of the most obvious is copyright held by the Crown. Where the public has already paid for works to be produced, and unless there is a clear reason to the contrary, there is a strong presumption that the material should be made available to the public.[295] Copyright, in these instances, serves merely as a barrier to the efficient use of material, without the benefits (licensing and commercial exploitation) that private ownership entails. As there is little revenue in making material available to the public, Governments sometimes have difficulty justifying the expenditure required to distribute the material and grant permissions towards it. While the distribution problem may not be solvable directly through common ownership, the overheads involved in selecting and granting copyright licences can be avoided.

The same arguments apply to publishers who cannot justify a full print-run for out-of-print titles, but who have no incentive to engage in gratuitous licensing of those titles. Property rights in each of these cases lead to a waste of material which could otherwise be used. The first type of example, where the owners of copyright are not locatable, is the closest to Heller's tragedy of the anticommons. The other examples merely highlight the point already made, that exclusive property rights are inefficient where the market is unable to manifest demand adequately, and commons based management often provides an effective way to open access to the information, without imposing undue hardship on the copyright owners.

(iii) The commons of transformative use and the information semicommons

If we accept that we need to retain property rights to provide some level

295 See Brian Fitzgerald and Nicolas Suzor, "Legal Issues for the Use of Free and Open Source Software in Government" (2005) 29(2) *Melbourne University Law Review* 425-7.

of economic incentive to create expressive works, but we also want to leave some types of information and some uses of information in an intellectual commons which is free for all members of society to access and use, the resulting environment becomes an information semicommons. In a semicommons, the spheres of private and common uses of information are not independent – interactions in the commons sphere have effects on privately owned information, and vice versa.

Heverly describes these interactions by creating two distinct categories – content level interactions and distribution level interactions. Content level interactions are "those interactions that are involved in acting on or because of the substance of the information or its meaning",[296] for example the discussion of a new scientific formula at a conference. Distribution level interactions occur "when an interaction has an effect – market based or otherwise – on the distribution of information."[297] These interactions sometimes overlap, for example, a book review discusses the substance of a book, but can also have an effect on sales of the book.

Heverly argues that because "information ownership exists in a semicommons, with a dynamic relationship between private and common use of the *same information*",[298] judicial and legislative analysis which presupposes a dichotomy between private and common information is "destined to twist efficiency".[299] Accordingly, recognising the inseparable link between common and private uses of information, Heverly suggests that there should be a presumption towards common use of information, which gives way to private use if necessary.[300] The presumption is stronger with regards to content-level interactions than it is with distribution-level dealings with information.

This accords well with our discussion so far. We can recognise that we need to provide certain private interests in information in order to stimulate continuing creation of expression; however, the interests

296 Robert Heverly, 'The Information Semicommons' (2003) 18 *Berkeley Technology Law Journal* 1127, 1127.
297 Ibid.
298 Ibid 1185.
299 Ibid 1185.
300 Ibid 1187.

granted do not have to be comprehensive. There is no requirement that the copyright interest is analogous to a property right, where ownership of information is "sole and despotic dominion".[301] Commons analysis shows us that the public/private spheres are not dichotomous.

Commons analysis allows us to implement a utilitarian approach to copyright, while balancing incentives against limitations of private ownership. The insight provided by this analysis is that copyright is not an 'all-or-nothing' scenario, and important distinctions can be drawn between which types and uses of expression should be private, and which should be open.

With relation to transformative uses of information, the literature seems to clearly suggest that transformative use belongs in the commons sphere. Transformative use, which benefits society and does not impose costs on the copyright owner, should remain free for common use. Distribution-level interactions, however, to the extent that they are damaging to the incentive regime, should be located in the private sphere of the copyright owner's rights.[302] Other classes of works like some government owned works and orphaned works, should also be wholly in the commons realm to avoid tragedies of under-use.

(c) The economic justification in relation to transformative works

Two main points can be drawn out from the economic utilitarian justification for copyright: (1) some level of copyright may be necessary in order to promote economic investment in the creation of information; and (2) there are significant welfare costs to copyright such that it should not extend any further than is necessary to provide the desired level of economic incentive. The first logical conclusion that can be drawn from this is that where a proposed use of copyright material has no negative impact on the economic interests of the creator, it should be allowed. The next is that copyright should only reward creators to the extent that they can expect sufficient compensation to justify their

301 William Blackstone, 2 *Commentaries on the Laws of England* (1847) 2.
302 Polk Wagner, "Information Wants to be Free: Intellectual Property and the Mythologies of Control" (2003) 103 *Columbia Law Review* 995.

investment, and particularly, that exclusive rights should not be granted over transformative uses unless it is necessary to stimulate creative expression. The third conclusion is that where an economic incentive is not necessary for the creation of information, copyright should not provide one. Fourthly, where a person would use copyright material in the creation of a transformative non-market or public good, that use should be permissible, balanced against the detrimental impact on the incentive of the original creators. Finally, where copyright would provide an economic incentive to stifle creativity, it should not be allowed to do so.

3. Hegelian personality

The second justification for copyright stems from personal rights in expression, derived primarily from Hegel. Copyright theorists have used Hegel to support broad copyright protection for intellectual works, and particularly to support moral rights in the European tradition. No part of Hegel's philosophical system, however, can be taken in isolation, and a proper reading requires a recognition that while the modern subject is highly individualised, he or she forms part of a respectful and caring community. It is accordingly important that, when construing individual rights, the rights of other members of the community are also considered.

Hegel believes that individuals fulfil their potential by exerting their will

on the world – a prerequisite of freedom is the imposition of one's will on nature and the "superseding of mere subjectivity of personality", through the acquisition of property.[303] Property is the embodiment of personality.[304] Mental activity is part of a person's inalienable internal will, but through expression, it takes an external existence as a 'thing'.[305] For Hegel, then, the creator of an invention or an artistic or literary work is free to alienate the external 'thing', but may retain the rights to reproduce it.[306] The creator also retains the right to be identified with the work.[307]

Hegel's theory presupposes strong commons rights in information. Firstly, everything is in the public domain until an individual appropriates it by imposing his or her will on it. Because of the importance, for Hegel, of being able to self-actualise through expression of one's will on external things, a strong public domain is necessary. As Chander and Sunder explain, a "thriving commons is instrumental for Hegel, serving as a symbiote of private property".[308] Secondly, Hegel notes that the expression of secondary authors creates property in derivative works. Where a work is copied or adapted, and the new work embodies the "intellectual and technical skill of the copyist",[309] then the new author is entitled to property in the new work.[310] The new author has created new property through the expression of her will, and the original author has no claim against her.[311] Where a copy is made mechanically, without the embodiment of the copier's will, then no property right is created and

303 Georg Hegel, *Elements of the Philosophy of Right* (Allen Wood Ed), [39],[41].
304 Ibid [46].
305 Ibid [43].
306 Ibid [69]; Neil Netanel, "Alienability Restrictions and the Enhancement of Author Autonomy in United States and Continental Copyright Law" (1994) 12 *Cardozo Arts and Entertainment Law Journal* 1, 20.
307 Edward Damich "The Right of Personality: A Common Law Basis for the Protection of the Moral Rights of Authors" (1988) 23 Georgia Law Review 1, 29, quoting J Kohler, *Urheberrecht an Schriftwerken and Verlagsrecht* (1907) 15.
308 Anupam Chander and Madhavi Sunder, "The Romance of the Public Domain" (2004) 92 *California Law Review* 1331, 1344.
309 Georg Hegel, *Elements of the Philosophy of Right* (Allen Wood Ed) [68].
310 Barbara Friedman, "Copyright in the Twenty-first Century: From Deontology to Dialogue: The Cultural Consequences of Copyright" (1994) 13 *Cardozo Arts and Entertainment Law Journal* LJ 157, 169.
311 Justin Hughes, "The Philosophy of Intellectual Property" (1988) 77 *Georgetown Law Journal* 287, 338.

the original author may have a claim against the copier.[312] Finally, Paul Head notes that for Hegel, "rights to protect personhood should not unreasonably infringe on the rights of others in the community".[313] The personal rights granted to authors should not, as far as practical, interfere with the ability of new authors to self-actualise.

This last point is perhaps the most important with regard to transformative uses; while Hegel's individual is distinctly modern, each individual is ultimately part of a larger whole in the community. The rights of the self are thus limited by respect for the needs of others. To use Hegel's system to justify near-absolute individual rights of appropriation misrepresents the position of individuals in society. While it is important for an individual to be able to self-actualise through appropriation, that ability should not unduly prevent others from doing the same. The individualism represented by copyright owners in modern copyright law is arguably far more individualistic, and far less community minded, than the individualism of Hegelian philosophy.

(i) Separation of economic and moral rights

Netanel suggests that Hegel's adherents developed a dualist theory of intellectual property, whereby an author's "personal and economic interests are each protected by a legally and conceptually distinct set of rights"[314] - while the author has an alienable right to exploit his work commercially, he or she also has an inalienable right to have the work correctly attributed and to determine the context in which the work is presented to the public:

312 Barbara Friedman, "Copyright in the Twenty-first Century: From Deontology to Dialogue: The Cultural Consequences of Copyright" (1994) 13 *Cardozo Arts and Entertainment Law Journal* LJ 157, 169; Justin Hughes, "The Philosophy of Intellectual Property" (1988) 77 *Georgetown Law Journal* 287, 338.

313 Paul J Head, "The Rhetoric of Biopiracy" (2003) 11 *Cardozo Journal of International and Comparative Law* 519, 529; See also Peter Drahos, *A Philosophy Of Intellectual Property* (1996), p 82-90.

314 Neil Netanel, "Alienability Restrictions and the Enhancement of Author Autonomy in United States and Continental Copyright Law" (1994) 12 *Cardozo Arts and Entertainment Law Journal* 1, 20, 22.

> The writer can not only demand that no strange work be presented as his, but that his own work not be presented in a changed form. The author can make this demand even when he has given up his copyright. This demand is not so much an exercise of dominion over my own work, as it is of dominion over my being, over my personality which thus gives me the right to demand that no one shall share in my personality and have me say things which I have not said.[315]

Netanel contrasts this approach, most visible in France, to the monistic approach derived from Kant, as seen in Germany.[316] Monists, he argues, "hold that it is an author's fundamentally personal right to determine when, in what form, and to what object his creative product is to be communicated to the public".[317] This stems from the fundamental view that intellectual works are internal to the creator, and do not, as Hegel argues, take an external existence of their own. While there are significant differences between the two approaches, there is some suggestion that for Hegel, the economic right does not play as great a part as the moral right. Hughes argues that to take Hegel's personality theory as requiring financial payments in order to maximise the creator's personality is too broad an approach. Hughes suggests that the better view is that the alienation of intellectual property is justified as "perhaps the most rational way to gain exposure for one's ideas", to gain "respect, honor, and admiration".[318] Likewise, Caroline Nguyen argues that for Hegel,

> financial compensation for one's property is not a critical concern. True, money allows individuals to acquire things that better express their personalities, just as it is true that the ability to support oneself through one's own activity and work instil feelings of "right,

315 Ibid.
316 Ibid 21-22.
317 Ibid 20.
318 Justin Hughes, "The Philosophy of Intellectual Property" (1988) 77 *Georgetown Law Journal* 287, 350.

> integrity, and honour." But money is not the end – it matters only inasmuch as it allows individuals to acquire external things that, in turn, allow individuals to self-actualize. As long as an individual can self-actualize by being identified with his creations, financial compensation for intellectual products can be secondary.[319]

The content of creators' moral rights varies, but encompasses the rights of disclosure, withdrawal, attribution and integrity.[320]

Hansmann and Santilli note that while the rhetoric of moral rights suggests that they are personal and not economic in nature, there are also significant pecuniary advantages for authors who retain moral rights in their work, and both positive and negative economic effects on both the purchaser of a work and the public at large.[321]

(ii) Distinction between personal and fungible property

Margaret Radin argues that rather than the act of creation, it is the "subjective relationship between the holder and the thing" that is important in determining personality rights.[322] Radin explains that there is an important distinction between personal property (property which is "bound up with personhood"[323]) and fungible property (purely commercial property "that is held merely instrumentally or for investment and exchange"[324]). Fungible property is completely commodified, while personal property is at least partially non-

319 Caroline Nguyen 'Toward an Incentivized But Just Intellectual Property Practice: The Compensated IP Proposal' (2004) 14 *Cornell Journal of Law and Public Policy* 113, 19 (references omitted).

320 See Neil Netanel, "Alienability Restrictions and the Enhancement of Author Autonomy in United States and Continental Copyright Law" (1994) 12 *Cardozo Arts and Entertainment Law Journal* 1.

321 Henry Hansmann and Marina Santilli, "Authors' and Artists' Moral Rights: A Comparative Legal and Economic Analysis" (1997) 26 *Journal of Legal Studies* 95, 104-07. These interests include the reputation of the artist, restrictions on the ability of purchasers to deal with works, the desirability to the public of having works available, for aesthetic and educational reasons, and the interest of members of the public not to be deceived as to the identity of the author of a work.

322 Margaret Radin, "Property and Personhood" (1982) 34 *Stanford Law Review* 957, 987.

323 Ibid 959.

324 Margaret Radin, Residential Rent Control (1986) 15 *Philosophy and Public Affairs* 350, 362.

commodified.[325] Radin argues that when something is non-commodified,

> We place that thing beyond supply and demand pricing, brokerage and arbitrage, advertising and marketing, stockpiling, speculation, and valuation in terms of the opportunity cost of production.[326]

Applying Radin's insights to intellectual works, we can see that not all intellectual works are properly the subject of personality rights. We have a strong argument that works made primarily for commercial gain, or through primarily technical methods, or under the direction of another, generally will not have the character of personal property. Fungible property does not deserve the protection afforded to personal property, and personal property should not be subject to the same commodification as fungible property.

This tends to suggest that for the types of intellectual creations which are properly viewed as personal expressions of their creator, there may be a strong argument for an inalienable link between the expression and the creator, whereby the creator's moral rights should be protected, and the subject matter should be protected from commodification. While there is a valid argument that a creator needs to be sustained, there doesn't seem to be an equally strong argument that the creator has a personal right in the commercial exploitation of his or her work. Some difficulty arises when we consider creations which are both personal and commercial in nature – what protection do we accord the craftsmen or artists who create unique pieces for sale?

The difficulty can be eased if we consider the meaning of 'commodification'. A restriction on commodification does not mean that a creator can not be remunerated for his or her work. Artists have always needed some level of income to support themselves while they create, and any moral rights doctrine should not discriminate between artists

325 Ibid.
326 Margaret Radin, "Market-Inalienability" (1987) 100 *Harvard Law Review* 1849, 1855.

who are self-funded, artists who receive compensation for their work, and artists who rely on their government or a patron for support. The distinction must instead lie in the character of the work produced. There can be no easy rule to determine whether a work is fungible in nature. A personal limited-edition work which is sold, but to which the creator retains the copyright, and doesn't allow a large number of reproductions to be made, should still be considered personal in nature. A work which is created anonymously, at the request and under the direction of another, will generally not be personal in nature. A personal work which is created, and subsequently licensed for mass reproduction in a number of forms, may not retain its personal character. These include works like Warhol's silkscreens, or the works of professional photographers who routinely license their works for use in derivative products. It is the commodification, not the scale of reproduction which is important for determining whether a work is personal or fungible. A personal work may be digitised and made available for the enjoyment of many on the Internet, but may still retain its personal character if it is not treated as property which is bought and sold for purely commercial reasons.

(iii) Personality theory and transformative use of creative works

Some commentators question the justification that Hegel provides for granting personal rights in creative works as opposed to creators of physical goods. Stewart Sterk notes that "it remains difficult to understand why the identity of artists and authors should be more bound up with their work than the identity of others who enjoy no protection against alteration of their work."[327] James Boyle asks if we could "imagine giving a plumber a control over the pipes she installs even after the work is paid for, or a cabinet maker the right to veto the conversion of her writing desk into a television cabinet?"[328] The critical distinction is drawn by romantic theory, which provides the basis for holding authors to a higher standard than other artisans, thus granting

327 Stewart Sterk, "Rhetoric and Reality in Copyright Law" (1996) 94 *Michigan Law Review* 1197, 1244.

328 James Boyle, "The Search for an Author: Shakespeare and the Framers" (1988) 37 *The American University Law Review* 625, 629.

moral rights in creative work but not in crafts.[329] If we are to continue to challenge the romantic notions of authorship,[330] moral rights may lose a large part of their moral justification. For now, however, we will proceed on the basis that Hegel's influence is correct in its justification for personality interests in authorship, and turn to summarise how this should properly be applied to transformative uses.

The first point to be drawn out of Hegel's construction is that there can be no moral protection for purely fungible work. Secondly, the protection given to personal creation must be a moral one, and not necessarily an economic one, in order to protect the creation from commodification. Finally, where a creator has a personal right in his or her creation, the protection afforded to it must not unduly prevent others from self-actualising through the creation of their own work. Logically, this guarantee of the ability to re-use existing material would seem not to extend to re-use in works which are purely fungible, because there is no prospect of the new creator self-actualising.

Copyright law should ideally protect both the moral rights of creators and the ability of people to build off existing material in order to create new work, but not the mere commercial repackaging and exploitation of existing work. This form of commodification of personal should be condemned and restrained through copyright law.

4. Lockean labour / desert

The next justification for copyright stems from John Locke's labour theory of value. While the influence of this theory may have diminished in recent times,[331] it continues to be used as a basis for the protection of near-perfect property rights in expression. However, the maximalist copyright rhetoric derived from Locke rarely takes into account the limits placed on appropriation in Locke's system, or the physical limits to

329 Ibid; Christopher Aide, "A More Comprehensive Soul" (1990) 48(2) *University of Toronto Faculty of Law Review* 211, 221.
330 See John Hope Mason, *The Value of Creativity* (2003).
331 Jane Ginsburg, "Creation and Commercial Value" (1990) 90 *Columbia Law Review* 1865, 1890.

appropriation which are removed by a stylised intellectual property regime.

Locke believes that people have a natural right to resources they appropriate from the commons through their labour.[332] The extension of this principle into the realm of intellectual property suggests that creators have a natural private property right in the works they create. It is somewhat doubtful whether Locke's theory can be transposed to intellectual property; it is possible that the labour in creating an expression may only entitle a person to a private property right in the original copy of the work, and not to a state granted monopoly to the underlying expression. Given Locke's forceful disapproval of state created restrictions on private actions, this objection is quite substantial.[333] Assuming, however, that it is *possible* to import Locke's property theory to the intellectual realm, we must determine whether and how it fits our conception of creativity.[334]

(a) 'Labour'

In the state of nature, resources are abundant, but wild and unusable.[335] By exerting themselves, people tame some portion of the commons, and accordingly, can be said to own that portion, subject to the 'no harm' and 'no waste' provisos below. In the intellectual realm, we say that ideas and expression are limitless, and form a commons from which individuals can work and carve out their own property. Once an individual has created some expression in this way, it belongs to them and they should have the exclusive right to deal with it as they choose. On the surface, the principle is compelling and popular – my thoughts and my expression are my own, they are my property, which I should have a right to control.[336]

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332 John Locke, *Two Treatises of Government* (P. Laslett, ed, 1970), *Second Treatise,* [31].

333 See Mark Rose, "Nine-Tenths of the Law: The English Copyright Debates and the Rhetoric of the Public Domain" (2003) 66 *Law and Contemporary Problems* 75, 78-9.

334 Wendy Gordon, "A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property" (1998) 102 *Yale Law Journal* 1533, 1544-55.

335 John Locke, *Two Treatises of Government* (P. Laslett, ed, 1970), *Second Treatise*, [25].

336 Adam Moore, "A Lockean Theory of Intellectual Property" (1997) 21

Hughes reminds us that we must first ask whether the creation of intellectual works actually involves labour, and offers two ways to conceive of labour.[337] The first is that labour is something which is 'relatively unpleasant' – property rights are the reward for doing something which one would otherwise prefer not to.[338] The problem with this view, as Hughes realises, is that property rights in expression should then only accrue to persons who dislike their work. Where creative expression is an enjoyable end in itself, there is no labour, and thus no property.[339]

The second view of labour that Hughes offers us is that property follows as a reward for value added to material through labour.[340] The problem with this position is that expression that is not 'valuable' does not deserve protection. Hughes solves this problem through the utilitarian argument that *individual* cases of expression do not have to be valuable, as long as the system of intellectual property results in a net gain to society.[341] Because individual expression *on average* adds value to society, individuals deserve a property right in their expression.

Perhaps accepting the proposition that 'labour' simply means 'work' could easily sidestep the problems inherent in these two views. This construction would mean simply that effort expended in creating original expression deserves property rights in that expression, without needing to look at the subjective value of the effort. While the size of the reward is not necessarily proportional to the amount of labour exerted,[342] this does not seem to be a problem for the Lockean theory.

Hamline Law Review 65, 78; Justin Hughes, "The Philosophy of Intellectual Property" (1988) 77 *Georgetown Law Journal* 287, 300.

337 Justin Hughes, "The Philosophy of Intellectual Property" (1988) 77 *Georgetown Law Journal* 287, 300.

338 Ibid 302.

339 Ibid 305.

340 Ibid.

341 Ibid 310.

342 Naomi Abe Voegtli, "Rethinking Derivative Rights" (1997) 63 *Brooklyn Law Review* 1213, 1248.

(b) The 'no harm' proviso

The "no harm" principle requires that individuals appropriating resources from the commons ensure that "there is enough and as good left in common for others."[343] If we conceive of the realm of intellectual expression as limitless, and expressive speech as highly original, the granting of copyright cannot deprive others of their ability to make their own expression. Indeed, if this is the case, then the intellectual commons, at least as it relates to expression, is not susceptible to exhaustion like the untamed wilderness.[344]

Hughes, in particular, argues that the no harm proviso is immediately satisfied with regards to intellectual property, as long as "there is an ever-growing common of ideas available for everyone's unlimited use",[345] which is effected by expiring rights,[346] the idea/expression dichotomy,[347] and less than absolute control over intellectual works, such that new creators can build on old expression (as long as the new creation is not substitutable for the old).[348] In this way, the commons of potential ideas is continuously expanding, because with each appropriation, new ideas are being added to the commons. The new ideas flow into the commons because information is 'leaky' – although the expression may be controlled, the idea of the expression escapes control.[349] Those new ideas are free to be used, because ideas are not protected by copyright. Finally, where copyright *expression* must necessarily be used to create new expression, that new expression should belong to the new creator, to the extent that it was produced through labour and does not substitute for the original work. This is an elegant exposition of a theory of natural rights in expression, and adequately protects the rights of

343 John Locke, *Two Treatises of Government* (P. Laslett, ed, 1970), *Second Treatise*, [27].
344 Justin Hughes, "The Philosophy of Intellectual Property" (1988) 77 *Georgetown Law Journal* 287, 315.
345 Ibid 325.
346 Ibid 323.
347 Hughes argues that ideas should not be protected because there would not be 'enough and as good' left in the commons if they were. He suggests that "[p]rotection of expression and not of ideas can be understood as protection for that part of the idea-making process that we are most confident involves labor". (Ibid 314).
348 Ibid 316-19.
349 See Polk Wagner, 'Information Wants to be Free: Intellectual Property and the Mythologies of Control' (2003) 103 *Columbia Law Review* 995.

transformative users, as long as we can consider that most expression is derived from the commons of ideas, and not from other expression.

On the other hand, if, as we have done throughout this thesis, we consider that creative expression builds upon previous expression, then the appropriation of expression necessarily limits the ability of future individuals to express themselves. This must be true unless we can create a copyright regime which grants property in expression but does not limit the ability of future creators to express themselves through labour.

There are then two types of losses to society caused by appropriating expression. The first is the loss caused to others of the ability to use and benefit from the copyright expression itself. The second is the loss of raw material, the loss of the ability of people to express themselves through their own labour.

Moore argues that the harm caused to others by losing the ability to use copyright expression can be offset both "at the level of the act and at the level of the institution" - that is, specific appropriations of intellectual material from the commons may benefit society through their creation, and the intellectual property system in general may benefit society because it encourages new creativity.[350] If this were not the case, then allowing the appropriation of land would often not be pareto-optimal – the loss to all other individuals of the opportunity to appropriate scarce resources from the commons would equal or exceed the gain to the person appropriating them, meaning that the appropriation would not be justifiable.[351] Moore notes that this point is recognised by Locke, who said that the appropriation of land from the commons increases the 'common stock of mankind', on the basis that land previously held in common and wasted was now useful in supporting human life.[352]

This argument, while providing a convenient answer to the question of harm caused by the granting of property rights in expression, brings the labour-based theory much closer to the utilitarian justification. It also

350 Adam Moore, "A Lockean Theory of Intellectual Property" (1997) 21 *Hamline Law Review* 65, 79.
351 Ibid 79, footnote 78.
352 Locke, Two Treatises, Sec 37.

significantly reduces the utility of the no-harm proviso, by providing that it is almost always satisfied because of the extensive benefits provided by a market economy.[353] The theory justifies appropriation of expression because of the benefit each member of society gets from creative expression generally, which would not exist but for the property interests granted. A major flaw in applying a labour-based theory of copyright is that it does not leave 'as much and as good' for others. If a utilitarian approach can show that this is not the case, then that justification will have to be subjected to the same analysis as the pure economic utilitarian theory of copyright, above.[354]

The other type of loss, which is of more concern here, is the loss of the raw material of expression to future creators. This type of loss is much easier to deal with in the Lockean framework. The first move would be to consider that because expression is not created entirely from the untamed wilderness, it must logically draw to some extent off the fruits of the labour of others. Accordingly, uses of copyright material which leaves as much and as good for others (including the copyright owner) should be permissible. A simplistic response would be to claim that the use of the fruit of someone else's labour necessarily harms that person, because at the very least they have lost the ability to exclude others from their property. This approach reinforces the error of property fetishism – the fallacy of determining the limits of property rights from the perspective of 'perfect' property rights.[355] Unfortunately, if it is to be avoided, it leads us back to a utilitarian consideration for determining when someone will be harmed by a use of the fruits of their labour. For example, the argument can be made that without exceptions for personal and education uses of expression, each member of society is

353 Wendy Gordon, "A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property" (1998) 102 *Yale Law Journal* 1533, 1570-1.

354 Alternatively, we can substitute Nozick's proviso, which states that "the public would be better off even if an intellectual property owner could completely exclude others from his idea because it could still buy the goods and services developed from that idea" (Hughes, 319, citing Nozick, *Anarchy, State and Utopia* (1974) 180).

355 Indeed, when intellectual property rights are viewed from a property perspective, they are often based on an idealised version of property, which does not import the many exceptions to perfect control inherent in real property regimes. See Michael Carrier, "Cabining Intellectual Property Through a Property Paradigm" (2004) 54 *Duke Law Journal* 1.

made poorer. Therefore, although the owner of copyright may lose a potential licence fee, they are in fact in a nett better position than if the exceptions to copyright infringement did not exist.[356]

This reasoning lends itself easily to transformative uses. If a person mixes their labour with the fruits of another, they are entitled to property interest in the result, at least to the extent that they have not caused that other person harm (or caused harm to any other persons). Lost licensing costs have to be weighed against the benefit everyone derives from the known realm of cultivated expression increasing. It follows that where direct harm is caused, for example, by creating very close market substitutes, appropriation of copyright expression should not be permissible. Where direct harm does not occur, and significant labour has been expended, then there is a valid presumption that the transformative user is entitled to the fruits of that labour.[357]

It makes sense that market substitutability is used as the benchmark for harm here. Intellectual works are not like fields of wheat in this case – the use (or re-use) of someone else's expression does not leave them with less. But the value of their expression does decline if wholesale reproductions are created and marketed. Accordingly, the greater the amount of labour added by a transformative user, and the lesser the substitutability of the new expression for the old, then the more forceful the argument that the transformative user should derive new rights in their expression.

(c) The 'no waste' proviso

The other limitation on the ability of labourers to appropriate from the commons is the condition that they do not take more than they can use. Locke points to the example of food spoilage – a person who takes from the commons and stores more than he or she can use, wastes that material when it spoils. The food is wasted both for others who could have made use of it had it not been appropriated by the first owner, and

356 Adam Moore, "A Lockean Theory of Intellectual Property" (1997) 21 *Hamline Law Review* 65, 85.

357 Justin Hughes, "The Philosophy of Intellectual Property" (1988) 77 *Georgetown Law Journal* 287, 318;

it is wasted for the potential future use of its owner.[358] However, the no-waste proviso does not apply in the money economy. In the money economy, surplus is theoretically traded to those who value the property the most, ensuring that waste does not occur.

It should be considered where, if at all, waste occurs in relation to copyright expression. Because expression is non-rival, it is not depleted through use. However, whenever expression is priced above marginal cost, some people are necessarily excluded from utilising material, and that material is wasted in a very real sense. The material is wasted because it could have been used to benefit people at no cost to others.

Nozick addresses this concern with the claim that the non-waste condition is superfluous as long as we respect the 'no harm' proviso.[359] If everyone has as much and as good after something is appropriated, it does not matter if that new appropriation is wasted or not. This principle remains contentious in that it does not account for future use. Food, for example, is still wasted on a social scale if more is produced than anyone can use. No individual can complain, because by definition they would also waste the food, but resources are still wasted which could have been used in the future.

If a person claims copyright in an expression that is completely worthless to everyone, in that nobody, at any time in the future, will ever want to use it, then there is no waste caused by refusing access to it. However, at the point where someone is willing to use it, and their use would not impose a cost on the owner, but permission is refused, then there is waste. It may be true that if not for the original creator's labour, the expression would not exist at all.[360] However, this does not

358 Ibid 327.

359 Nozick, *Anarchy, State and Utopia* (1974), 175-6.

360 John Bates Clark, *Essentials of Economic Theory* (1997) 360-61; John Stuart Mill, *Principles of Political Economy with Some of Their Applications to Social Philosophy*, ch 2, 6; Both cited in Caroline Nguyen "Toward an Incentivized But Just Intellectual Property Practice: The Compensated IP Proposal" (2004) 14 *Cornell Journal of Law and Public Policy* 113, 122, citing Jeremy Waldron, "From Authors to Copiers: Individual Rights and Social Values in Intellectual Property" (1993) 68 *Chicago-Kent Law Review* 841, 866. cf Wendy Gordon, who argues that "Mill was wrong to suggest that no one ever 'loses' by being prohibited from 'sharing in what otherwise would not have existed at all.' That an intellectual product is new, would not have otherwise existed, and may initially bring benefit to

logically dictate that an absolute monopoly over the expression must attach to the creator. Wasteful appropration, even if it results in the creation of new material, is still limiting the commons uncessarily. In this case, it is not the labour of the creator which causes waste, but the *propertisation* of the fruits of that labour.

The mere act of enclosure is wasteful because it limits the potential benefit that could accrue to society due to the exploitation of non-rivalrous expression.[361] As we saw above, non-rival goods can only be efficiently utilised if people who are prepared to pay the marginal cost are not excluded.[362] The waste is compounded because not only people who would benefit from the expression itself are excluded, but also those who would use the expression to create new expression. If we were to argue that this is not the case, because without property rights in the fruits of intellectual labour there would be a greater loss to society due to underproduction, then we have lost the labour/desert aspect of copyright and moved back into the realm of the economic utilitarian justification.

Hughes argues that this is not the type of waste we should be primarily concerned with. We should be considering the inherent value of the expression to its creator, not the loss of value to society. Intellectual property regimes are at least partially justifiable because "[i]ntellectual property holds value derived solely from the act of creation"[363] - the value of expression to the owner is not lessened by external factors. Accordingly, there is no waste because "there is no internal deterioration in the idea and the loss in value is seen only against a social backdrop".[364] Hughes goes on to note that the loss in social value of an

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the public, does *not* guarantee that later exclusions from it will be harmless." (Wendy Gordon, "A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property" (1993) 102 *Yale Law Journal* 1533, 1567 (emphasis in original)).

361 Caroline Nguyen "Toward an Incentivized But Just Intellectual Property Practice: The Compensated IP Proposal" (2004) 14 *Cornell Journal of Law and Public Policy* 113, 121.

362 Or the owner has engaged in perfect price discrimination, such that the good is available to each person at exactly the price they are willing to pay. See Above, _.

363 Justin Hughes, "The Philosophy of Intellectual Property" (1988) 77 *Georgetown Law Journal* 287, 328.

364 Ibid 328.

idea[365] is speculative and potentially reversible, because the idea may become valuable again in the future.[366] Finally, Hughes concludes that the

> absence of a non-waste condition in intellectual property systems does not weaken a Lockean justification for intellectual property. Locke, after all, declined to apply the non-waste condition to the advanced social conditions which are required by most intellectual property systems.[367]

How we characterise waste will determine the applicability of a Lockean justification for copyright. If, as Hughes suggests, we only have to look at waste of the intrinsic value of expression, then there may be no problem. On the other hand, if we consider waste on a broader social level, the case for a desert based theory of copyright is much weaker. The fact that the non-waste condition doesn't apply for Locke in the money society doesn't seem to be relevant to intellectual creativity. With physical goods, they are not wasted if they can be traded on the market. With non-rival expression, however, social waste occurs whenever it is not utilised to its potential.

The fallacy to avoid here is the utilitarian assumption that any use of material appropriated from the commons which does not result in the greatest utility is a waste. This reasoning would lead us to the conclusion that wealthy landowners do not derive good title to food cultivated, because each parcel would be valued more by less wealthy people. According to Locke, if the landowner can use the food, it is legitimately appropriated.

If we accept that a labour/desert based theory of copyright is justifiable, and that granting property rights in expression does not itself result in waste, then we must consider whether extending rights in expression to transformative uses would result in waste. If expression is not wasted just because it is underutilised by society, on the basis that it is still valuable to the labourer, then we must consider whether potential

365 Hughes does not, in this context, separate ideas and expressions in his analysis of the non-waste principle.
366 Justin Hughes, "The Philosophy of Intellectual Property" (1988) 77 *Georgetown Law Journal* 287, 328.
367 Ibid 329.

transformative works are valuable to that labourer. Again, the simplistic approach suggests that rights in non-existent transformative works are obviously valuable, because the labourer can reap licence fees. Again, we can view this either as property fetishism or a legitimate expectation of returns for labour invested.

If we accept that the value of an expression to its owner is derived significantly from its licensing value in transformative uses, then the 'no-waste' argument loses its potency. If, however, we consider that unlike the creator's interest in the expression itself, rights in the derivatives are usually only valuable for their value to others, then they have no intrinsic value, except as a negative force to prevent others from entering the market. The owner may have designs to enter the derivative market, but because value is tied to creation, the protected value may not exist until after the transformative work has been created.

Importantly, this analysis can hold for *transformative* re-expressions, but not for mere repackagings and classic economic rip-offs. A given expression will lose some of its intrinsic value if it is reproduced with only slight modifications, because the new expression is substitutable for the original. However, the original does not lose its intrinsic value through the creation of new expression which is in no way substitutable. Therefore, if rights are granted over potential transformative uses of expression, they are wasted at the point at which they are not licensed to someone who can pay the marginal cost of reproduction, because there is no inherent value in a potential transformative use.

(d) Labour theory and transformative uses

While the labour-desert justification is certainly intuitively popular, its application is by no means trivial. If we agree that creative expression is highly original, that preventing others from copying a particular expression does not limit their ability to create new work, and accept that transformative users of expression do not infringe the rights of the original creator, then an adequate case for a labour based protection of copyright can be made.

Alternatively, if creative expression is iterative, each appropriation is a

limitation on the ability of future creators to work. In this case, the no-harm proviso raises problems for a labour theory of copyright, unless we can use a utilitarian justification to mean that the 'as much and as good' proviso means that the average harm which people suffer through loss of the commons is outweighed by the benefit they gain from the existence of property rights in expression. If we can use this type of utilitarian justification to solve the 'no harm' proviso with relation to copyright, it follows that it is equally applicable to the 'no harm' question posed by transformative reuse. If there is no harm done by allowing appropriation through labour from the commons, it is open to conclude that there is no harm done by allowing appropriation through labour from protected expression, particularly since it has already been accepted that creative expression is not born of a vacuum.

Looking now at the 'no waste' proviso, we must consider whether we are interested in waste of social value or inherent value in the expression. If we are to consider social waste, then the Lockean justification of copyright cannot continue, because propertising non-rival goods is always wasteful. If, however, we examine the inherent value of the expression, then appropriation can be justified, and we must consider whether the grant of property rights can extend to the right to control transformative uses of copyright expression.

There is an impasse here, depending on whether the inherent value of the expression can be said to include the value in potential transformative works. Moore, for example, argues that an expression belongs to the author, and that means that the author should have control over whether it can be embodied in further works or not. Moore rejects questions of transformative and fair use on the basis of an

overriding natural right, and argues that market forces would determine the level of allowable uses of coypright material.[368] On the other hand, Naomi Abe Voegtli believes that there can be no natural right claim over transformative uses, noting that the "labor-desert theory fails to explain why it is just to grant the copyright owner a property right over something that she herself did not labor upon."[369]

If the labour-desert theory is relied upon to justify exclusive rights in expression, its should not generally apply to transformative use. The combination of the no-harm and no-waste provisos, with the need to ensure that new labourers have the same ability to express themselves as initial creators, leads to the strong suggestion that rights over expression should be construed quite narrowly if they are to fit within Locke's theory. Only the uses of copyright expression which significantly interfere with the copyright owner's enjoyment of the work should be prohibited.[370]

It is impossible to conceive of the intellectual commons, today, as a wilderness untouched by mankind. Instead, our intellectual commons is the sum of wild ideas and all the expression that has gone before us. Our environment is made up of protectable expression, and that expression is often inseparable from the commons of ideas. When we find it difficult to create new expression without, to some extent, relying on the expression of others before us, it seems inadequate to constrict a labour-based theory of value to an artificial idea of a prehistoric commons. If the labour-desert justification of copyright is to be relevant and applicable today, it must recognise that intellectual works, unlike

368 Adam Moore, "A Lockean Theory of Intellectual Property" (1997) 21 *Hamline Law Review* 65, 99 (In relation to fair use, Moore notes: "if a loss of social progress is the price that must be paid for upholding rights then so be it. More to the point, however, there are market based reasons for why authors and inventors would, in large part, continue current practices").

369 Naomi Abe Voegtli, "Rethinking Derivative Rights" (1997) 63 *Brooklyn Law Review* 1213, 1249; See also Jane Ginsburg, "Copyright Protection of Works of Information" (1990) 90 *Columbia Law Review* 1865, 1886 (arguing that the missing justification for exclusive rights over derivative works in labour theory may have been supplied by influences from personality theory).

370 Wendy Gordon, "A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property" (1993) 102 *Yale Law Journal* 1533, 1609.

fields, build upon each other, and feed into later works. Rewarding labour is justifiable if we also reward the labour of transformative users; otherwise, we are drawing dangerous distinctions between creators who pretend to work in a vacuum, and those who admit to drawing from their environment.

5. Social planning theory

The rhetoric of utilitarian incentives and allocative efficiency, of personal rights in creativity, and of property rights in intellectual labour, are all familiar now in intellectual property discourse. These three theoretical approaches represent the bulk of the discussion about intellectual property. They are by no means, however, exclusive. Many other arguments for increasing or decreasing the scope of intellectual property are continuously developed. Particularly, there are both absolutist and minimalist approaches which have attracted some support in recent years.

The absolutist argument pushes for perfect economic rights in all intellectual works, not on the basis of economic incentives, but to provide the market with better information on the value of information, and allow resources to be allocated efficiently. If all uses of information were subject to alienable property rights, the market would be able to allocate the rights to those who valued them the most.[371] This avoids having to make the subjective value judgments inherent in utilitarian approaches. Only in cases of clear market failure should the privatisation and commodification of information be prevented. The major criticisms to this approach are that it (a) exacerbates inequalities in wealth distribution,[372] and (b) provides a pure market-based approach to an

371 See, for example, Paul Goldstein, *Copyright's Highway: From Gutenburg to the celestial Jukebox* (1994), 216: rights should extend "into every corner where consumers derive value from literary and artistic works".

372 See Keith Aoki, "Neocolonialism, Anticommons Property, and Biopiracy in the (Not-So-Brave) New World Order of International Intellectual Property Protection" (1998) 6 *Indiana Journal of Global Legal Studies* 11, 16-28 (discussing the impact of international neoliberal copyright maximisation on underdeveloped countries).

area (creative production) that is only partially market driven.[373]

The minimalist approach, on the other hand, takes many forms, but also generally rejects the utilitarian approach. It is sometimes espoused by libertarians and anarchists, who believe that State-granted monopoly interests are to be avoided. It is also used by technological idealists, who believe that the new modes of production and communication provided by the Internet and other technological advances render traditional property rights in information useless in the electronic realm.[374] The modern response to these theorists is that cyberspace is not so radically different to 'meat space', and that both State and private actors already regulate, and will continue to regulate, digital information.[375]

Reconciling the many different approaches to intellectual property is not an easy task. It is sometimes difficult to separate one from the other, and almost impossible to base an intellectual property policy on just one of these theories.[376] However, it may not be necessary to do so. Instead of selecting one theory to the exclusion of the others, or 'balancing' between competing interests, it may be possible to weave them together to form a coherent policy, one which promotes the interests and goals of our society.[377] This integration is what Professor William Fisher calls 'social planning theory'.[378] This approach "is rooted in the proposition that property rights [...] can and should be shaped so as to help foster the achievement of a just and attractive culture".[379] Fisher argues that this is a separate theoretical justification for intellectual property to the

373 See Neil Netanel, "Copyright and a Democratic Civil Society" (1996) 106 *Yale Law Journal* 283, 341: "while copyright may operate in the market, copyright's fundamental goals are not of the market."

374 John Perry Barlow, "The Economy of Ideas" (1994) 2(3) *Wired <http://www.wired.com/wired/archive/2.03/economy.ideas_pr.html>.*

375 Frank Easterbrook, "Cyberspace and the Law of the Horse" (1996) *The University of Chicago Legal Forum* 207; Lessig, *Code and Other Laws of Cyberspace* (2000).

376 See William Fisher, "Property and Contract on the Internet" (1998) 73 *Chicago-Kent Law Review* 1203; see also Jane Ginsburg, 'Creation and Commercial Value: Copyright Protection of Works of Information' (1990) 90 Colum. L. Rev. 1865, 1890-93 (discussing the twin influences of personality and labour theories of copyright and the expansion of copyright scope in the nineteenth and early twentieth centuries).

377 Neil Netanel, "Copyright and a Democratic Civil Society" (1996) 106 *Yale Law Journal* 283, 342.

378 William Fisher, "Property and Contract on the Internet" (1998) 73 *Chicago-Kent Law Review* 1203, 1215.

379 Ibid 1214.

three main theories proposed above. I submit that it can better be employed as an analytical tool to help us interpret and reconcile the conflicting interests within copyright theory, and help us select outcomes that best accord with our democratic ideals – ideas of fairness, of civil participation, of equality, and prosperity.[380]

(a) Social planning theory and transformative use

If we are to use social and democratic imperatives to guide our interpretation of the theoretical basis of copyright law and transformative use, we need to consider the effects of transformative uses of information on our society. Fisher believes that transformative uses of copyright material should be encouraged, on the basis that they "either constitute or facilitate creative engagement with intellectual products".[381] Because a "person living the good life would be a creator, not just a consumer, of works on the intellect",[382] copyright law should excuse transformative uses of copyright works, in order to "create more opportunities [for people] to become actively involved in shaping their culture". Copyright law should make "creative activities less expensive or more convenient"[383] in order to "modify consumers' habits and eventually their desires, thereby enhancing not just their access to but also their appreciation of the good life".[384] Accordingly, the more creative or transformative a proposed use of copyright material is, the more it should tend to be excused, always balanced against the harm likely to

380 See Keith Aoki, "Neocolonialism, Anticommons Property, and Biopiracy in the (Not-So-Brave) New World Order of International Intellectual Property Protection" (1998) 6 *Indiana Journal of Global Legal Studies* 11, 40-48 (discussing the necessity of balancing copyright maximisation and utility approaches with social values, including public access to intellectual creations in the model of environmental conservationism); see further Terrence Maxwell, "Is copyright necessary?" 9(9) FirstMonday <http://www.firstmonday.org/issues/issue9_9/maxwell/> (arguing that neither copyright maximalism nor minimalism are ideal, and that "copyright should be viewed in relation to other potential policy options and to the goals we wish to achieve in supporting intellectual production and distribution both nationally and internationally").

381 William Fisher, "Reconstructing the Fair Use Doctrine" (1988) 101 *Harvard Law Review* 1659, 1768.

382 Ibid 1769.

383 Ibid 1769.

384 Ibid 1769.

be suffered by the copyright owner.[385]

Neil Netanel argues that copyright serves a productive function in providing necessary incentive for creation, but also serves a structural function, that "supports a sector of creative and communicative activity that is relatively free from reliance on state subsidy, elite patronage, and cultural hierarchy".[386] This structural function of copyright, Netanel argues, has been ignored to a large extent in modern copyright discourse. Without copyright, creators seeking to make a living must rely to a large extent on private patrons or government subsidies.[387] The result of either scenario would be an unacceptable interference with creative autonomy. Netanel argues that in the case of an 'all-encompassing state-supported regime', "massive state involvement would undoubtedly present a serious impediment to expressive autonomy and freedom of information".[388] The alternative, that creative people become supported by corporate actors who want to distribute the material in order to sell other products or services, could likewise "have dire consequences for expressive autonomy and diversity",[389] as corporate patrons are likely to select only works which promote their own goals.

This argument involves the recognition of a creative class – a class of people who require subsistence in order to produce creative works, and whose independence must be guaranteed if we are to profit from the diversity of their creations. It does not apply directly to the growing class of non-economic creators ('hobbyists') who may already be employed, and are profiting from the opportunities of cheap communications that technology provides to create in their spare time. It does, however, apply to highlight the need to provide a means for creators to be able to extract remuneration from their work. While the argument that copyright needs to support artists who make a living off their work remains valid, it does not necessarily extend to non-economic creators. To differentiate between the artist who works in order to fund

385 Ibid 1782.
386 Neil Netanel, "Copyright and a Democratic Civil Society" (1996) 106 *Yale Law Journal* 283, 288.
387 Ibid 352-3.
388 Ibid 359.
389 Ibid 360-61

her art, and the worker who creates art at her own expense in her spare time, seems to be an artificial and elitist demarcation. To avoid this distinction, we should posit that non-economic creators should have the ability to become economic creators, and be remunerated for their work, if they choose to do so. This avoids the unfairness seemingly presented by strict utilitarian theory, where creators are only accorded enough compensation to ensure that they can keep creating, and therefore creators that enjoy their work or have other non-economic reasons to create are not accorded the same right to remuneration as those creators who are motivated by purely economic factors.

Netanel takes a balanced approach between absolutist and minimalist views of copyright in transformative works. He notes that, "[g]iven copyright owners' propensity to private censorship and systematic ability to demand supracompetitive license fees, copyright owners' expansive control over transformative uses unduly stifles the creative reformulation of existing expression".[390] Netanel concludes that transformative uses of material should generally be allowed, as long as they are *non-competitive*; uses which substitute for the original (or may substitute for an adaptation of the original)[391] reduce the independent sustainability of creators.[392]

Niva Elkin-Koren argues that copyright law should be based on democratic principles, encouraging the decentralisation of social

390 Ibid 378.

391 This is the 'multiple taker' argument, which posits that a rational actor is not likely to invest significant resources in the creation of a transformative work, if another actor could create a substitutable work based off the same original work. This is particularly relevant in realms such as films, which require a lot of capital investment, and are often derived from books or other copyright works (Netanel, "Copyright and a Democratic Civil Society" (1996) 106 *Yale Law Journal* 283, 379). Naomi Abe Voegtli argues that "[w]ithout any economic data, it seems as reasonable to argue that denying copyright protection over transformative works would encourage early production of a costly derivative work because it acts as an incentive to be the first one to create it in order to reap more profits. In addition, it also encourages expressive diversity in derivative works because makers of derivative works would attempt to avoid direct competition by producing works that would appeal to different segments of the population" (Naomi Abe Voegtli, "Rethinking Derivative Rights" (1997) 63 *Brooklyn Law Review* 1213, 1259).

392 Neil Netanel, "Copyright and a Democratic Civil Society" (1996) 106 *Yale Law Journal* 283, 378-81.

discourse by encouraging flexibility of meaning,[393] interactivity,[394] participation in creative processes,[395] increased access to information,[396] and increased ability of individuals to self-publish and communicate directly with other members of society.[397] For Elkin-Koren, copyright law has a restricting centralising effect on information, but exists to "allow access of more individuals to more information".[398] Elkin-Koren suggests that the ability to easily modify digitised works creates valuable opportunities for social dialogue, in that it empowers users to "participate in creating the meaning of cultural artifacts".[399] Accordingly, expansive rights in derivatives reduces the ability of individuals to participate in the democratic process, blocking "the potential for decentralizing meaning"[400], by severely limiting "the ability of users to customize works, interact and respond to them, or use them as building blocks of their own creation."[401] On this basis, Elkin-Koren concludes that "[t]he exclusive right to create derivative works should explicitly exclude transformative uses."[402]

At the very least, where the theories we advance are in conflict, or are unclear, we should prefer the approach that would better accord with our conception of a democratic culture. This is particularly true because copyright is a state granted monopoly – it does not exist naturally or in isolation. Preferring democratic values in the allocation of a statutory monopoly should be uncontroversial. Indeed, if the argument were to be reversed, granting artificial intellectual property rights in a manner which does not accord with our democratic ideals would be grossly irresponsible.

The principles we can use to guide our interpretation are preferences or inclinations towards certain points of view which tend to promote

393 Niva Elkin-Koren, "Cyberlaw and Social Change: A Democratic Approach to Copyright Law in Cyberspace" (1996) *14 Cardozo Arts and Entertainment Law Journal* 215, 236.
394 Ibid 241.
395 Ibid 243.
396 Ibid 249.
397 Ibid 254.
398 Ibid 267-8.
399 Ibid 280.
400 Ibid 281.
401 Ibid 281.
402 Ibid 283.

democratic values. Roughly, they include (but are not limited to) the two main presumptions that:

1. artists and other creators need to be sustained; and
2. without a strong reason to the contrary, transformative speech should be allowed.

6. Reconciling the theories – the interests served by copyright

When we shape copyright law through the first three theories outlined above, we should always be looking at the impacts of our decisions on our society. The social planning theories shape our understanding and interpretation of the other theories – we should never blindly follow a strict interpretation of a theoretical basis for our intellectual property regimes where that interpretation would conflict with the ideals of fairness and democracy we strive towards.

From this perspective, we can synthesise many of the different principles extracted from the theories above. In cases of real incompatibilities between the theories, the interpretation to be favoured should be that of democratic social planning. The theories thus present us with several normative principles:

1. Copyright law should provide a necessary minimum level of economic incentive to creators;
2. That level of economic incentive should not exceed what is reasonably necessary to encourage creation and support creators;
3. Uses of copyright material which have little impact on the economic interests, or which do not otherwise devalue the appropriation of the owner, should not be protected economically;
4. The ability of non-economic creators to draw on copyright material should be protected;
5. Creators who create personal work should be protected from the

commercial exploitation of that work, and they should receive a level of protection for their rights of integrity and attribution in their work;

6. Moral rights protection should not extend to purely fungible goods;

7. Any moral rights protection granted should not unduly limit the ability of future creators to self-actualise through creation; and

8. To the extent that moral rights protection is waived in favour of future creators, that waiver should not extend to the creation of purely fungible goods.

These principles show the core interests served by copyright. When determining copyright questions, then, these are the principles which should illuminate which of any competing interpretations. In the next chapter, I will show how, through the use of these normative principles, certain uses of copyright material should not be limited through the law.

Chapter V. How should the law reflect the theory?

In this chapter, I will suggest some ways in which Australian copyright law can evolve to better accommodate the theoretical conclusions from the last chapter. Specifically, these changes aim to increase the viability of true transformative use, while at the same time respecting the continued ability of owners of copyright to be compensated for the exploitation of their material, and the ability of authors to retain enforceable personal rights to prevent their work from being unreasonably commodified or dealt with in a derogatory manner.

1. 'Substantial Part'

Often, transformative users will not take the whole of a copyright work, but will use a smaller portion. Whether it is an infringement of copyright to reproduce or communicate a portion of copyright material will depend on whether that portion is a substantial part of the original. Section 14(1) of the *Copyright Act* provides that

> (a) a reference to the doing of an act in relation to a work or other subject-matter shall be read as including a reference to the doing of that act in relation to a substantial part of the work or other subject-matter; and
>
> (b) a reference to a reproduction, adaptation or copy of a work shall be read as including a reference to a reproduction, adaptation or copy of a substantial part of the work, as the case may be.

Australian courts approach the question of substantiality as a question of fact and degree.[403] The determination is to be made primarily with

403 *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273, 283, 287–8; *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd* [2005] HCATrans 842 (Unreported, McHugh and Kirby JJ, 7 October 2005).

reference to the quality, not quantity, of the portion taken.[404] However, if we are to allow some degree of re-use of copyright material, in a manner that does not unreasonably interfere with the remuneration of the copyright owner, we must also consider the context in which the material is used.

This proposition draws some support from Younger J's obiter dicta in a 1916 English decision, *Glyn v Weston*, that "the older cases insist upon the necessity of establishing that the alleged piracy is calculated to prejudice the sale or diminish the profits or supersede the objects of the original work".[405] His Honour continued, noting that

> no infringement of the plaintiff's rights takes place where a defendant has bestowed such mental labour upon what he has taken and has subjected it to such revision and alteration as to produce an original result.[406]

This proposition was cited with approval by the Queen's Bench in 1960 in *Joy Music v Sunday Pictorial Newspapers*, where McNair J held that a literary parody of the lyrics of the popular song "Rock-a-Billy" did not reproduce a substantial part of the lyrics, on the basis that the parody was "produced by sufficient independent new work".[407] The parody was accordingly not a reproduction of the song, but a new original work derived from the song.[408]

The suggestion that parody can provide a defence to copyright infringement which was raised by *Glyn v Weston* and *Joy Music* was swiftly rejected in two mid-1980's English decisions, *Schweppes v Wellingtons*[409] and *Williamson Music v The Pearson Partnership*.[410] In *Schweppes*, the defendant sold soft drink bottles with a label which closely resembled the well known 'Schweppes' label, except that it had been changed to 'Schlurppes', and contended that while they had taken

404 *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273, 293; *Autodesk Inc v Dyason (No 2)* (1993) 176 CLR 300, 111 ALR 385 at 389 (per Mason CJ, dissenting), quoted with approval in *Data Access Corp v Powerflex Services Pty Ltd* (1999) 202 CLR 1; 166 ALR 228 at [84].
405 *Glyn v Weston* [1916] 1 Ch 261, 268.
406 Ibid.
407 [1960] 1 All ER 703, 708.
408 Ibid.
409 [1984] FSR 210.
410 [1987] FSR 97.

a substantial part, their use was an excusable parody, relying on *Joy Music*. Falconer J refused to follow *Joy Music*, holding that the label was infringing:

> The fact that the defendant in reproducing his work may have himself employed labour and produced something original, or some part of his work which is original, is beside the point if none the less the resulting defendant's work reproduces without the licence of the plaintiff a substantial part of the plaintiff's work. The test every time in my judgment is, as the statute makes perfectly plain: Has there been a reproduction in the defendant's work of a substantial part of the plaintiff's work?[411]

In *Williamson Music*, the plaintiffs were the exclusive licensees of copyright in the well known song 'There is Nothin' Like a Dame', which the defendants had parodied to advertise a service of express coaches. Baker J held that the relevant test was the substantial part test of Falconer J, and there was no special treatment that is to be given to parodies.

Shortly after these two decisions, Foster J in the Federal Court adopted very similar reasoning. In *AGL Sydney v Shortland County Council*,[412] the applicant had produced an advertisement promoting the use of gas appliances in new homes. The respondents created an advertisement in response, supporting the benefits of using electricity over gas. The new advertisement was "clearly similar to the AGL advertisement in scene, dialogue and general format".[413] A comparison of the two advertisements led Foster J to note that it "is perfectly clear that the second advertisement was carefully crafted in an attempt to avoid infringement of the applicant's copyright by merely taking sufficient of the AGL advertisement to remind viewers of it without taking what could properly be described as a substantial part of it."

His Honour followed the principle enunciated in *Joy Music* that substantiality should be determined by looking at the "essential feature of the work which is alleged to have been subject to copyright."[414] He did

411 [1984] FSR 210.
412 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (1989) 17 IPR 99.
413 Ibid 100
414 Ibid 104, quoting *Joy Music Ltd v Sunday Pictorial Newspapers* (1920) Ltd

not, however, engage in discussion of the question raised in *Joy Music* of whether the new advertisement was 'produced by sufficient independent new work'. Foster J did quote Younger J's statement in *Glyn v Weston* that there is no infringement where significant new labour had created an original result, and noted that it had "[appeared] to have won general acceptance."[415] His Honour, however, avoided this conception of substantiality, on the basis that it applies only to parodies, and the statute "grants no exemption, in terms, in the case of works of parody or burlesque".[416] Accordingly, His Honour held that the question "must necessarily remain whether an infringement of copyright has occurred as a result of a substantial taking from the parodied work".[417]

These three cases indicate that a potential exception for parody, or at least greater leeway afforded to parody as part of the the substantial part test, has been rejected by Australian and English Courts. Burrell and Coleman, examining *Schwepees* and *Williamson Music*, note that

> it now seems reasonable to conclude that a nascent exception for parodies has been killed off by two judgments which do not consider the potential rationale for affording parodies special treatment, the history or function of the substantial part test, or whether it was appropriate to decide the extent to which parodies are entitled to special treatment in cases which were arguably not examples of true parody at all and which pay little attention to what was actually said in *Glyn* and *Joy Music*.[418]

The authors also note Foster J's conclusion in *AGL Sydney v Shortland County Council* that the advertisement in reply was probably not a parody in any event.[419] Burrell and Coleman conclude that a valuable opportunity to examine the treatment of parodies has been lost without examination, and that the debate has been foreclosed notwithstanding that there are four conflicting first instance decisions, the two more

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[1960] 1 All ER 703, 707.

415 *AGL Sydney v Shortland County Council* (1989) 17 IPR 99, 105.

416 Ibid.

417 Ibid.

418 Robert Burrell and Allison Coleman, *Copyright Exceptions: The Digital Impact* (2005) 266.

419 Ibid, citing *AGL Sydney v Shortland County Council* (1989) 17 IPR 99, 105.

recent of which were not delivered at a full trial.[420]

While *Joy Music* was concerned with a parody, it is not necessarily limited to parodies in application. The principle in *Joy Music*, drawn from *Glyn v Weston*, is that when significant new effort and originality is put into a reproduction of a copyright work, such that it becomes original expression in its own right, it will not reproduce a 'substantial part' of the original. Unfortunately, the later readings of *Joy Music* and *Glyn v Weston* imply only that they provide support for some sort of defence for parodies per se (and then, not very strong support), instead of recommending the consideration of whether a use of copyright material "is calculated to prejudice the sale or diminish the profits or supersede the objects of the original work", or whether the new work has been subjected "to such revision and alteration as to produce an original result".[421]

Justice Conti, in *The Panel* at first instance examined the authorities and appeared to be persuaded by Ricketson's statement that parody does not "represents a separate or distinct defence or justification for what otherwise might be an infringing use [...] Anglo-Australian courts have tended to play down the parodic intent of an allegedly infringing use, although it may tip the balance in a case where all other factors are equal."[422] Conti J also cited Copinger for the consideration that parody may be "possibly relevant to fair dealing for purposes of criticism and review".[423] As to substantiality, His Honour accepted that the question should be resolved by reference to the quantity and quality of the copyright material taken, but also whether harm has been caused to the copyright owner's commercial interests,[424] and "the object or purpose of taking" copyright material.[425]

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420 Robert Burrell and Allison Coleman, *Copyright Exceptions: The Digital Impact* (2005) 266, 267.

421 *Glyn v Weston Feature Film Co* [1916] 1 Ch 261, 268; *Joy Music Ltd v Sunday Pictorial Newspapers* [1960] 1 All ER 703, 707-8.

422 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235, 248, quoting Sam Ricketson, *The Law of Intellectual Property: Copyright, Designs & Confidential Information* (2nd ed, 1999), [9.35].

423 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235 at 250, citing Kevin Garnett et al, *Copinger and Skone James on Copyright* (14th ed, 1999) [9.18]

424 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235, 273.

425 Ibid 274; see also 285–6.

When *The Panel* was remitted to the Full Federal Court, Justice Finkelstein, with whom Sundberg J agreed, noted that the "test of substantiality [...] is not confined to an examination of the intrinsic elements of the plaintiff's work", but "may involve a broader enquiry [...] which encompasses the context of the taking".[426] Other factors which must be considered include "the economic significance of that which has been taken"[427] and "the use which the defendant makes of the copied portion of the plaintiff's work".[428] His Honour rejected the construction of the trial judge, who suggested that the principle enquiry should be concerned firstly with quantity, but significantly also with "whether harm has been caused to the plaintiff's commercial interests."[429] Justice Finkelstein accepted, however, that in cases where a visual comparison could not yield an answer to whether a substantial part has been used, it "would be necessary to consider factors such as the plaintiff's financial interest as well as the defendant's purpose to resolve the issue."[430] His Honour found that five of the extracts were not a substantial part of the source broadcasts, on the basis that they were insignificant in the context of Nine's programme, but also because "the taking of these extracts caused absolutely no injury to Nine's interests."[431]

In reaching this conclusion, Finkelstein J attempted to import considerations drawn from the US fair use doctrine into the question of substantiality. His Honour cites the seminal analysis of Story J in *Folsom v Marsh*, setting out what would eventually be codified into the US fair use defence:

> It is certainly not necessary, to constitute an invasion of copyright, that the whole of the work should be copied, or even a large portion of it, in form or in substance. If so much is taken, that the value of the original is sensibly diminished, or the labors of the original author are substantially to an injurious extent appropriated by another, that is sufficient, in point of law, to constitute a piracy *pro*

426 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2005) 145 FCR 35, 41.
427 Ibid 40.
428 Ibid 41.
429 Ibid 45, criticising *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235, 285–286.
430 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2005) 145 FCR 35, 46.
431 Ibid 47.

> *tanto* … Neither does it necessarily depend upon the quantity taken … [i]t is often affected by other considerations, the value of the materials taken, and the importance of it to the sale of the original work … In short, we must often, in deciding questions of this sort, look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.[432]

In the same case, Hely J noted that there are some authorities which "indicate that in deciding the quality or importance of the part taken, regard must be had, inter alia, to the nature and objects of the selection made."[433] His Honour held, however, that "[i]nfringement of copyright does not have a mental element of purpose or intention",[434] and that the fact that the material was used for a wholly different purpose to that which it was originally broadcast "says little, if anything, about whether those segments are a material part of the source broadcast".[435] Justice Hely accordingly rejected the suggestion that the purpose of the taking of copyright material was relevant to the substantiality of the amount taken.

Network Ten applied to the High Court for special leave to appeal the Full Federal Court's findings on substantiality, on the basis that the tests used were unclear.[436] Justices Kirby and McHugh reiterated that the question was one of fact and degree, not of law. The factors enunciated by Finkelstein J were indicative of his reasoning, but were not legal tests. It was accordingly not for the High Court to provide a legal test for determining when a portion of material will be a substantial part of a larger whole. Their honours refused to consider whether Finkelstein's reasoning was flawed, apparently leaving the question of whether the court should consider the context of the taking open.

The construction of the question of substantiality as a factual question

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432 Ibid 41, citing *Folsom v Marsh* (1841) 9 *Federal Cases* 342, 348 (CCD Mass) per Story J.
433 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2005) 145 FCR 35, 53.
434 Ibid.
435 Ibid 54.
436 *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd* [2005] HCATrans 842 (Unreported, McHugh and Kirby JJ, 7 October 2005).

does not preclude consideration of the context in which copyright material is used. Nor would such a consideration necessarily over-stretch the question of substantiality. In *Nationwide News v CAL*, Justice Sackville recognised the necessity of assessing substantiality with "reference to the interest protected by the copyright".[437] His Honour quoted Copinger and Skone James on Copyright:

> In deciding [the quality or importance of the part taken], regard must be had to the nature and objects of the selection made, the quantity and value of the materials used, and the degree to which the use may prejudice the sale, or diminish the profits, direct or indirect, or supersede the objects of the original work … In short, the question of substantiality is a matter of degree in each case and will be considered having regard to all the circumstances.[438]

Both judgments in *The Panel (No 2)* in the Full Federal Court recognised that the question of substantiality should be dealt with with regard to the interests served by copyright.[439] When the High Court considered *The Panel*, Justice Kirby, in dissent, rejected the idea that the interpretation of the Copyright Act could be guided by theoretical principles:

> If one is truly looking for the "purpose" of the Act, that purpose must be found not in some a priori view about the merits, or desirability, of the copyright in their television broadcasts which the respondents assert. Ultimately, that purpose must be found in the command of the Parliament, expressed in the Act.

With respect, I would submit that if the we are to determine the question of substantiality with "reference to the interest protected by the copyright",[440] we should have greater regard to the context in which the material is used, and the theory supporting copyright. As we saw in the previous chapter, the relevant interests served by copyright, properly examined, include the protection not only of the ability to commercially

437 *Nationwide News v CAL* (1996) 65 FCR 399, 418; this proposition was endorsed by the UK House of Lords in *Newspaper Licensing Agency Ltd v Marks and Spencer plc* [2001] 3 All ER 977, 985.
438 *Nationwide News v CAL* (1996) 65 FCR 399 at 418, quoting *Copinger and Skone James on Copyright* (13th ed, 1991), 175.
439 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2005) 145 FCR 35, 52 (per Hely J); 37, 42-3 (per Finkelstein J).
440 *Nationwide News v CAL* (1996) 65 FCR 399, 418.

exploit the work, but also of the ability to create new expression from existing material, at least to the extent that the two do not conflict.

The question of substantiality could be modified to accommodate true transformative uses of copyright material by adopting a combination of quantitative, qualitative, and purposive tests. If the material is so quantitatively and qualitatively small as to be insignificant, it will not form a substantial part of the original. However, if it is quantitatively or qualitatively significant but not likely to damage the economic revenue of the copyright owner (i.e., it is not substitutable for the original), then it should also not be considered to be substantial.

This approach is similar to the approaches taken by Conti J in *The Panel* at first instance,[441] and Finkelstein J in *The Panel (No 2)* in the Full Federal Court.[442] This test is, however, more explicit in that the last limb, the substitutability test, is given more weight than it has previously received.[443] As we have seen, the question of whether a use is substitutable, or whether it 'supersedes the objects' of the original work, is not foreign to Australian law. Emphasising its consideration in determining substantiality, however, will go a long way to protecting transformative uses.

If the material is used in a manner which does not interfere with the copyright owner's market, then there is a valid argument that it should not be treated as an infringement of copyright. The interest served by copyright does not support preventing transformative uses. Where a piece of copyright material is used for purposes other than that which it was created, in some way that involves significant creative re-expression, then it would seem fair to say that a 'substantial' part of the original has not been reproduced in the transformative work. On the other hand, where material is used purely for its own intrinsic value, as where an pure economic 'rip-off' through straightforward reproduction and distribution, or where it is duplicated more for its popularity than

441 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235, 273-4.

442 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2005) 145 FCR 35, 42.

443 See *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235, 274, where Conti J states that "care must be taken to avoid the application of [the commercial interest test] in a mutually exclusive way from the tests concerning quantity and quality."

the value in its re-expression, then that use can properly be called substantial.

This distinction may be important. When considering the nature of the use of copyright material, courts should look at whether the use is truly transformative, or if it is merely putting the original work in a new context in order to gain from its popularity. For example, the use of a popular song in a movie may be more substantial when it is used out of context as background music than when it is used expressively by the filmmaker. However, drawing the distinction between true transformative use and economic rip-offs may be extremely difficult in practice – the continuum is so fine (and subjective) that this question should not be determinative of substantiality in all but the most borderline cases. In most cases, where the use of the copyright material is not substitutable for the original, that use should not be considered substantial.

While many copyright owners may object to what sounds like such a radical approach, it seems to be the simplest way to guarantee the degree of latitude that the theory accords transformative uses, without requiring legislative reform.[444] Fair use in the United States developed in case law in a similar fashion, as courts applied copyright theory to novel fact situations and steadily excused uses of copyright material which copyright owners should not have the right to restrain.[445] The expansion of Australian copyright jurisprudence in a similar fashion would provide Australian Courts with a similar degree of flexibility to US Courts, without necessitating a legislative solution or over-stretching the principles of statutory interpretation. The absence of this flexibility in Australian law is made significantly more prominent by recent efforts to harmonise copyright law between Australia and the United States as

444 A more radical application would involve legislative reform to limit the application of the exclusive rights to only protect works and their close derivatives. Naomi Abe Voegtli suggests modifying US law to define protected derivatives as "either (1) a work based significantly upon one or more pre-existing works, such that it exhibits little originality of its own or that it unduly diminishes economic prospects of the works used; or (2) a translation, sound recording, art reproduction, abridgment, and condensation" (Naomi Abe Voegtli, "Rethinking Derivative Rights" (1997) 63 *Brooklyn Law Review* 1213, 1267)

445 See Pierre Leval, "Toward a Fair Use Standard" (1990) *103 Harvard Law Review 1105.*

part of the Australia – US Free Trade Agreement.[446]

(a) Defining the contours of a substitutability test

The question of substitutability, in the context of copyright expression, refers to the degree to which market demand for the original can be satisfied by the reproduction. In applying a substitutability test, it is important that the ability of copyright owners to be remunerated for their investment is not lost. The Courts must be able to differentiate between permissible transformative use and impermissible copyright infringement. The character of the use must be carefully examined. A reproduction or communication of a piece of copyright material is substitutable for the original work if it is likely to significantly impair the market for the original.

Our theoretical exposition informs us that granting an exclusive right to create transformative works can only be justified if it is required (a) in order to protect authors from the unreasonable commodification of their works; or (b) to stimulate investment in the creation of original works; or (c) to prevent the loss of value to the owner. Importantly, there is no basis for establishing a general entitlement to the full social value of copyright expression in licence fees for transformative uses.[447]

The first principle, that authors should be protected from the commodification of their original works is an important one, but it is best dealt with along with the other inalienable moral rights of the author.

The second two principles are very similar, stemming from the utilitarian economic justification and the Lockean personal property theories respectively. The utilitarian consideration requires only that enough remuneration is available to provide a minimum level of incentive to create. If a particular reproduction of original expression is not substitutable for the original, then the level of incentive provided is not

446 See *US Free Trade Agreement Implementation Act 2004* (Cth), Schedule 9.

447 See Mark Lemley, "Property, Intellectual Property, and Free Riding" (2005) 83 *Texas Law Review* 1031.

diminished. Higher levels of incentives, as we have seen, distort the market and result in allocative inefficiencies.

The labour/desert theory, on the other hand, suggests that uses which devalue the copyright owner's expression should be restrained. We can readily see that introducing an identical or nearly identical reproduction of a work into the market will generally decrease the value of the original work.[448] Even if the reproduction is not introduced into the market, but is made available non-commercially (for example, for free on the the internet), it can still displace the market for the original.[449] The intrinsic value of the expression to the copyright owner, however, is not modified by another person's use. Labour theory places its own limit on the extent of copyright in transformative uses, in the requirement that property in expression should not prevent other users from gaining property through their own labour.

The combination of these two theoretical approaches leaves us with a range of possible levels of copyright protection, from no protection over the base incentive to create, to a level slightly less than a total restriction on unlicensed use of copyright material. When evaluating the proper level of copyright protection within that range, we can make use of the two overarching principles that (a) creators need to be sustained and (b) in the absence of a strong reason to the contrary, transformative uses should be allowed. Looking at the theoretical justification in this light, we can arrive at the conservative conclusion that where a proposed use of copyright material does not interfere with the market for that material, then it should be permissible. In other words, if a transformative use is not substitutable in the market for the original, it

448 Wendy Gordon, "A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property" (1993) 102 *Yale Law Journal* 1533, 1548.

449 See *BMG Music v Gonzalez* (9 December 2005, No 05-1314, Seventh Circuit Court of Appeals, per Easterbrook J): downloading copyright music through peer-to-peer filesharing services is not a fair use, because "[a] copy downlaoded, played, and retained on one's hard drive for future use is a direct substitute for a purchased copy" (at 2). To what extent such a copy *actually* damages the copyright owner's revenue stream is contentious. See, for example, Felix Oberholzer and Koleman Strumpf, "The Effect of File Sharing on Record Sales: An Empirical Analysis" (2004) <http://www.unc.edu/~cigar/papers/FileSharing_March2004.pdf>; see further Jessica Litman, "Revising Copyright Law for the Information Age (1995) 75 *Oregon Law Review* 19.

has not reproduced (or communicated) a substantial part of the original.

This approach satisfies the incentive justification, because economic incentives to create are unaffected. It also satisfies the labour/desert consideration, because the value of the expression appropriated from the commons is protected. Finally, it satisfies the democratic concern that transformative speech be permissible, and does so without prejudicing the ability of creators to be compensated for their work.

(b) Substitutability and market harm caused by lost licensing potential

There are two arguments that substitutability is not the only indicator of market harm in transformative uses. The first is that the transformative work may expose the original to ridicule or criticism, and thereby reduce its sales. The second is that the original author is losing out on the rights to license the transformative work. The first of these counterpoints does not stand on its own. There is no basis (notwithstanding moral rights) for the proposition that a work should not be held up to criticism or even ridicule. In determining whether a parody impaired the market for an original song in *Acuff-Rose*, the US Supreme Court recognised that

> [t]he only harm to derivatives that need concern us . . . is the harm of market substitution. The fact that a parody may impair the market for derivative uses by the very effectiveness of its critical commentary is no more relevant under copyright that the like threat to the original market.[450]

It is not properly the domain of the economic aspect of copyright law to isolate a work from criticism or ridicule. An aggrieved copyright owner can always seek a remedy in defamation, or under the moral right of integrity, discussed below.

The second counterpoint, that allowing transformative works removes the ability of a copyright owner to license transformative works, is a circular one. The ability to license transformative works can only exist through the operation of copyright law. When determining the level of monopoly that copyright law should grant, it is illogical, and an example

450 *Campbell v Acuff-Rose Music Inc* (1994) 510 U.S. 569, 593.

of property fetishism, to raise the argument that any level of protection less than absolute protection is an economic loss compared to the returns that would otherwise be granted if the level of protection were higher.

Many transformative uses will not impair the market for the original work. For example, very few people looking for an original sound recording or film will be satisfied with a remix instead. A prominent example is the novel 'Gone With the Wind' – a classic romance set in the US Civil War. The author Alice Randall created a parody novel, 'The Wind Done Gone', which highlighted the plight of black slaves in the same setting as the original. It is difficult to suggest that people looking for the romance story would be satisfied with the political commentary (and vice versa).[451] In this case, the use of copyright material does not interfere with the market for the original, and should be permissible.

However, there may be cases where the exclusive right to create or licence transformative uses is necessary either to provide the incentive to create, or because otherwise the value of the expression is greatly lessened. Some works may be created solely (or at least primarily) for their economic value to others as inputs in downstream reuses. Determining what types of works need transformative royalties, however, is a very difficult question. Landes uses the example of a professional photographer, who depends on royalties for a living.[452] Sterk, on the other hand, rejects this construction, arguing that professional photographers will not take fewer photographs without copyright protection, because most of their work is customised for the client: "[g]iven the small chance that any particular photograph will find a market beyond its immediate intended purpose, copyright protection is unlikely to have any impact on the volume or quality of photography."[453]

It is difficult to say what proportion of creators (or producers) rely on the prospect that at least some of their works will be licensed in transformative creations. The chances of any given work being valuably

451 *SunTrust Bank v. Houghton Mifflin Co.* (2001) 268 F.3d 1257, 1275-6.
452 William M Landes, "Copyright, Borrowed Images and Appropriation Art: An Economic Approach" (2000) 9 *George Mason Law Review* 1, 19.
453 Stewart Sterk, "Rhetoric and Reality in Copyright Law" (1996) 94 *Michigan Law Review* 1197, 1214 .

licensed for use in transformative works, however, is likely to be very small. It may be that the chances of a licensed re-use of any individual work are so low that they are (or should be) effectively discounted by individual creators. Sterk argues that removing the possibility of transformative royalties, in these cases, merely assists creators in making rational choices.[454]

For producers who hold copyright in a large number of works, however, the revenue may be significant. These producers average out their revenue across all their works, in order to allow them to offset losses from unsuccessful works with the large gains in the much smaller number of highly successful works. This is, however, an uncertain argument. As noted above, Nadel provides a convincing argument that much of the profit of high value works is spent on marketing, and that the emphasis on marketing causes "many otherwise marginally profitable creative projects to become unprofitable and therefore no longer be produced."[455]

To the extent that copyright exists to provide incentives to create, Sterk argues that exclusive rights in transformative uses can only be justified if "(1) the projected returns from the original work are too small to justify the costs of production, and (2) the projected returns from the derivative work are so large relative to the cost of producing the derivative work that the difference will more than make up the projected deficit on the original work alone."[456] Sterk notes that it is possible that high budget movies, for example, may rely on the potential for sales of merchandise in order to remain profitable, but other forms of expression are much less likely to rely upon transformative rights.[457]

Some critics have noted that this system favours mass-produced and mass-marketed works by allocating the greatest proportion of revenue to a small proportion of creators. The copyright game effectively becomes an 'all-or-nothing' scenario, reducing total welfare in inefficient

454 Ibid.
455 Mark Nadel "How Current Copyright Law Discourages Creative Output: The Overlooked Impact of Marketing" (2004) 19 *Berkeley Technology Law Journal* 785, 802.
456 Stewart Sterk, "Rhetoric and Reality in Copyright Law" (1996) 94 *Michigan Law Review* 1197, 1215.
457 Ibid.

races, where all creators are producing goods with high substitutability in competition for the lucrative high end market. These critics suggest that society would benefit from the greater variety of works that would be produced if rewards were more fairly spread across a broader base of creators. Limiting the rents received by creators in respect of transformative licences may reduce the problems of over-investment in the high-end market.[458]

This leads us to suggest that if individuals creators do not rely on potential transformative licence royalties, and that such royalties may be more hurtful than helpful to media policy, potential licence fees should not be counted when considering the level of harm imposed by transformative users.

This principle is augmented by the recognition that copyright owners can not claim lost revenue on licences that they would not issue. Many transformative works, and particularly parodies, deal critically with the original works and are not encouraged by the copyright owner. This point was recognised by the US Supreme Court in *Acuff-Rose*, where the court said that

> there is no protectible derivative market for criticism. The market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop. Yet the unlikelihood that creators of imaginative works will license critical reviews or lampoons of their own productions removes such uses from the very notion of a potential licensing market.[459]

Even when the proposed use is not critical of the original, a risk averse copyright owner often has little incentive to licence transformative works, given the potential for negative public perceptions and high transaction costs in copyright negotiations. As the importance of branding and public image continues to rise, any uses of copyright

458 See Naomi Abe Voegtli, "Rethinking Derivative Rights" (1997) 63 *Brooklyn Law Review* 1213, 1243; Stewart Sterk, "Rhetoric and Reality in Copyright Law" (1996) 94 *Michigan Law Review* 1197, 1215-16; Mark Nadel, "How Current Copyright Law Discourages Creative Output: The Overlooked Impact of Marketing" (2004) 19 *Berkeley Technology Law Journal* 785, 797; Glynn S Lunney Jr, "Reexamining Copyright's Incentives-Access Paradigm" (1996) 49 *Vanderbilt Law Review* 483, 656.

459 *Campbell v. Acuff-Rose Music* (1994) 510 U.S. 569, 592.

material which do not conform to the copyright owner's promotional policy, whether they are critical of the material or the owner or not, are likely to be disallowed. So, for example, getting a licence to use a popular copyright image for social or political commentary (absent any right to freedom of political communication), or to express anything that the copyright owner does not want to express, is likely to be extremely difficult.

In *Mattel Inc v Pitt*, a US District Court found that Susanne Pitt's sale of 'Dungeon Dolls' did not infringe copyright in Mattel's Barbie dolls, partly on the basis that the risk of market harm was low because Mattel was not likely to enter into the 'adult' doll market.[460] In Australia, Justice Wilcox recognised a reluctance to licence remixes of sound recordings in *Universal v Miyamoto*, but did not accept that it had any bearing on infringement.[461] This is an example of the power of copyright owners to stifle creativity by refusing to license their exclusive rights under copyright law. The courts should have some regard to the real probability that a copyright licence would have been issued to a transformative user, bearing in mind that copyright does not exist to stifle or censor speech.

The fact that copyright owners refuse to license their works indicates a potential market failure. Because externalities prevent the copyright owner from appropriating the full value of the transformative use from the transformative user, the allocation of resources does not proceed efficiently. Restricting the ability of creators to make unlicensed transformative uses of copyright material where there is little to no possibility that they *could* acquire a licence means simply that copyright law is helping the market to stifle creativity in particular areas. If neither the copyright owner nor any licensed users are likely to engage with a subject in a particular way that is not substitutable for the original work, then restricting the ability of unlicensed users to do so does not prevent the copyright owner from collecting license fees, nor does it diminish the value of the work in any way except insofar as the copyright owner

460 *Mattel, Inc. v. Pitt* (2002) 229 F. Supp. 2d 315; See further Matthew Rimmer, "Valley of the dolls – brand protection and artistic parody" (2004) 16(10) *Australian Intellectual Property Bulletin* 8.

461 *Universal Music Australia Pty Ltd v Miyamoto* (2005) 62 IPR 605, 610.

derives benefit from being isolated from criticism or other negative inferences.

In this scenario, copyright law is well placed to resolve the allocative inefficiencies. To the extent that the market for potential transformative works can be considered at all when determining whether a particular use is substitutable for the original, it should not include potential markets which the copyright owner is unlikely to exploit, either directly or through a licensee.

Another segment of the market for potential transformative uses which should be removed from consideration of harm are the cases where a person would use copyright material if it were free (or priced at marginal cost), but is not prepared to pay the monopoly price set by the copyright owner. These uses are considered deadweight loss to society. The users would not impose a cost on the owner of the copyright, but society is unable to benefit from their contributions because they are unable to pay the price demanded. In most cases (but not all), these users will be non-economic creators, who cannot afford to pay the premium on licence fees, particularly because they are unable to pass the cost onto their customers.

This consideration imports a limited consideration of commercial use into the question of substantiality. Non-commercial uses should be considered less harmful to the copyright owner's market, because they would often be unable to pay licence fees if they had to. This will be a matter of fact and degree, and must be assessed with the circumstances of each case. Non-commercial users can still cause significant harm to copyright owners, for example by distributing similar or identical reproductions of copyright material for free on the internet. The question remains about whether a proposed use of copyright material will impair the market for the original material, but the commercial nature (or otherwise) of the re-use will be relevant in determining whether the loss of licensing potential is significant.

When considering the commercial or non-commercial nature of a transformative work, we must be careful not to overstate the impact of commercial works. The fact that a transformative user makes a profit off their new work does not give rise to a presumption that there has been

harm caused to the copyright owner of the input work. If the market for the original has not been harmed, the success of the new work does not make the use any more substantial. The question of whether the new user is 'free-riding' on the work of the copyright owner clouds the real issue of whether the new work reproduces a substantial part of the original.

The final point to remember when determining market harm is that 'unofficial' transformative works are not likely to supplant the 'official' licensed versions. Because of the importance of branding in publicity and merchandising, trademark and competition law will often effectively protect the licensee of a copyright work from direct competition with unlicensed users. The types of uses which are often seen as 'official', for example translations, screenplays, and adaptations to film or television, are more likely to be literal or direct reproductions of the original version, and hence more likely to take a substantial part of the original. Other uses of copyright material which are more transformative are unlikely to be in direct competition with licensed uses, but if they are, the copyright owner has a significant advantage, not only in being first to the market, but of continuing endorsement and marketing of the 'official' versions.

For example, a direct adaptation of a novel to a screenplay is likely to take a substantial part of that novel, notwithstanding that much effort may have gone into making the screenplay, because the screenplay is not so much a new expression as it is a translation of medium. If, however, a transformative user takes a character or setting from the novel or screenplay and tells a new original story, then that use is much less likely to be substantial. The copyright owner may at this stage complain that this use damages the market for current or future licensed stories or spin-offs that the copyright owner may want to create. However, the market for official spin-offs is not necessarily impaired by the unofficial version, because the official versions gain popularity through endorsement. This endorsement is easier to protect under trademark law than copyright law. This result is desirable when the transformative use is substitutable neither for the original novel, the direct screenplay, or the proposed official spin-offs. This will again be a matter of fact and degree – the more transformative the use, the less

likely it is to be substantial, but that should not excuse slight modifications designed primarily to capture the spin-off market.

(c) Application of a substitutability test

The extrinsic aspect of the substantiality test should primarily be concerned with the substitutability of the proposed use for the original. This should take into account the economic impact of the new work on the owner, with careful evaluation of arguments based on lost licensing potential. The emphasis of the test should be on allowing uses which are transformative, but properly finding that uses which are primarily literal repackages of copyright material constitute a substantial reproduction.

Looking back to *The Panel (No 2)*, very few of the uses in question in that case could be seen to be substitutes for the original broadcasts. The average viewer is not likely to stop watching Channel Nine's current affairs or news programmes in the expectation that they can receive the same information and entertainment from Network Ten's weekly comedy show. Channel Nine's programmes have an advantage in being put out to air up to a week earlier than 'The Panel', and the comedic treatment on 'The Panel' is of a much different nature than the often serious broadcasts depicted. The fact that some of the clips were 'highlights' of a particular programme does not mean that an average viewer of the original programme would choose not to watch it in favour of 'The Panel'. It follows that there is no economic loss to Channel Nine, and the transformative uses should be allowed.

Network Ten clearly benefits by being able to reproduce Nine's broadcasts, but this benefit is not at the expense of Channel Nine. As we have seen, the claim that Network Ten is 'free-riding' on Nine's productions does not give Nine a valid claim that it should be entitled to the full value of its broadcasts under copyright law. Nine is entitled to protect the *value* of its broadcasts, but is not entitled to exercise control over uses of those broadcast which do not interfere with that value.

Channel Ten may have been able to produce 'The Panel' without relying on broadcasts from other networks. However, not only would this have

been less efficient, but a significant portion of the value of the show would be lost, because the panellists would not be able to comment on the broadcasts in a way that the viewers could relate to without having seen the broadcasts. Essentially, the humorous commentary engaged in by the panelists would be practically impossible. If the uses of copyright material in *The Panel* were damaging to Channel Nine's use of the same material, then Channel Nine may have a valid argument that their work has unfairly been reproduced to their detriment. Because the only loss that Nine suffers is a potential loss of popularity to its rival, the mere fact that Network Ten has used Nine's material in its productions shouldn't provide a remedy in copyright law.

The distinction between commercial and non-commercial transformative uses, while potentially relevant to a question of market substitutability, does not otherwise prejudice the transformative user. Network Ten's productions are commercial in nature, but because they do not negatively impact on Channel Nine's ability to profit from its broadcasts, the point is irrelevant.

A non-commercial example of transformative use is that of mashup artists like Dean Gray. Dean Gray's use of Green Day's album *American Idiot*, while taking significant amounts of copyright material, is not likely to substitute for Green Day's expression. A potential consumer of Green Day's album is highly unlikely to be satisfied by a bastard-pop version to the exclusion of the original. Again, the fact that Dean Gray's purpose was noncommercial makes little difference. If Dean Gray's album were substitutable (i.e., if it were more of an exact replica which could interfere with Green Day's market), it would be substitutable whether it were released commercially or non-commercially. If a substitutable expression is available for free on the internet, for example, it nonetheless may have a significant impact on sales of the original. Many people may choose to download the substitutable expression instead of purchasing the original. Because Dean Gray's album is not substitutable, however, even if it were released commercially, it would have little impact on the market value of Green Day's album.

Artists like Dean Gray may derive significant popularity through using Green Day's recordings. Fans of Green Day may be drawn to the

mashup album because of its familiarity. In a sense, then, Dean Gray is profiting from Green Day's reputation. Green Day (or Green Day's publishers) may feel that Dean Gray is profiting unfairly from their investment. This is not, however, the proper domain of copyright law. Copyright owners are not entitled to the full social value of their creations.[462] The mere fact that Dean Gray is 'free-riding' off Green Day's expression, without more, is not sufficient to justify restricting the use. Dean Gray's use is not an economic rip-off which will result in harm to Green Day's copyright interests.[463] This is so regardless of whether Dean Gray's use is commercial or not.

We have seen that it is important that transformative users have the ability to play with the signs that form their culture – indeed, much of the value of Dean Gray's work is that it provides a new interpretation of Green Day's popular expression. Copyright exists for certain narrow purposes, and not as a broad protection for the copyright owner's reputation. As long as a use is not substitutable for the original, it should not be seen to be a substantial reproduction.

2. Fair dealing

There will be cases where a reuse of copyright work will be to a large degree substitutive to the original work. There will also be cases where the substantiality test is not used because the whole of the original work has been reproduced. In these cases, the uses should properly be found to be substantial, and prima facie infringing of copyright. However, some of these uses should be allowed for the benefit they bring society. These are the cases in which copyright law needs to draw exceptions, either purposive like the current fair dealing exceptions, or broad based, like the US fair-use defence.

462 See Mark Lemley, "Property, Intellectual Property, and Free Riding" (2005) 83 *Texas Law Review* 1031.

463 See Katherine Giles, "Mind the gap: parody and moral rights" (2005) 18(5) *Australian Intellectual Property Law Bulletin* 69, 69, in the context of parodies, arguing that "appropriation can be distinguished from plagiarism or piracy, as the underlying purpose and intent is not to be deceptive or to 'free-ride' off the work of others".

Where a transformative use is considered to reproduce or communicate a substantial part of the original copyright material, the next question to consider is whether the transformative user has an available fair dealing defence. The most relevant fair dealing defences will generally be fair dealing for criticism or review,[464] and fair dealing for the purpose of reporting the news.[465]

(a) Fair dealing for the purposes of criticism or review

As we saw in the *The Panel*, the scope of this fair dealing defence is quite limited for transformative users in Australia. The meaning of 'criticism' and 'review' is quite narrowly constructed, and has little scope to allow broader parody or satire when little discernible judgment is passed directly upon the work (or a related work). This means that transformative users who do not engage in traditional criticism have no defence to copyright infringement. In order to widen the protection available to transformative users, it may be desirable to apply a more generous standard of criticism and review.

In *Hubbard v Vosper*, the English Court of Appeal removed an interlocutory injunction which prevented Vosper from publishing critical extracts from L Ron Hubbard's books, letters, and bulletins regarding the secret doctrines of the Church of Scientology.[466] In considering whether the extracts were fair dealings for the purpose of criticism or review, Lord Denning MR took a broad approach to criticism and review, holding that Vosper was "entitled to criticise not only the literary style, but also the doctrine or philosophy of Mr Hubbard as expounded in the books."[467] Megaw LJ agreed, noting that criticism and review "must surely then cover criticism of the ideas, the thoughts, expressed by the work in question - the subject-matter of the work."[468]

464 *Copyright Act 1968* (Cth) s 41 (Part III works); s 103A (Part IV subject-matter).
465 *Copyright Act 1968* (Cth) s 42 (Part III works); s 103B (Part IV subject-matter).
466 *Hubbard v Vosper* [1972] 1 All ER 1023.
467 Ibid 1028.
468 Ibid 1031.

In *Time Warner v Channel Four*,[469] the defendants used extensive extracts of Stanley Kubrick's 'A Clockwork Orange' to criticise the decision to remove the film from circulation. The Court of Appeal also took a broad approach to fair dealing in this case, holding that it was valid to criticise the decision with illustration of the artistic and cultural value of the film itself, notwithstanding that the extracts may not have been representative of the film, "so that the public may form a view of the decision criticised."[470]

In *Pro Sieben Media v Carlton UK TV*, the defendant had rebroadcast a portion of the plaintiff's current affairs programme relating to a woman who was pregnant with eight foetuses, in the context of a criticism of the practices of chequebook journalism.[471] In holding that the extract was a fair dealing for the purposes of criticism or review, Walker LJ noted that

> "Criticism or review" and "reporting current events" are expressions of wide and indefinite scope. Any attempt to plot their precise boundaries is doomed to failure. They should be interpreted liberally [...]"[472]

and further,

> Criticism of a work need not be limited to criticism of style. It may also extend to the ideas to be found in a work and its social or moral implications.[473]

The Court of Appeal in this case again took a broad approach to criticism and review, holding that the defendant's use was permissible as a criticism of chequebook journalism, of which the plaintiff's programme was an example:

> "The Carlton programme as a whole was in my judgment made for the purpose of criticism of works of chequebook journalism in general, and in particular the (then very recent) treatment by the

469 *Time Warner Entertainments LP v Channel Four Television Corporation Plc* [1994] EMLR 1.
470 Ibid 16; quoted in Michael Handler and David Rolph. "'A real pea souper': The Panel Case and the development of the fair dealing defences to copyright infringement in Australia" (2003) 27(2) *Melbourne University Law Review* 381, 392.
471 *Pro Sieben Media AG v Carlton UK TV Ltd* [1999] FSR 160.
472 Ibid 620.
473 Ibid 621.

> media of the story of Ms Allwood's multiple pregnancy"[474]

In *BBC v BSB* (*The 1990 World Cup Case*),[475] the defendant rebroadcast highlights of the BBC's live broadcasts of football matches over the course of the 1990 World Cup in Italy, and asserted that the rebroadcasting was fair dealing for the purpose of news reporting. The UK High Court took a broad approach to the question of fair dealing, holding that the rebroadcasts were for the purposes of reporting the news, rejecting the suggestion that the BSB's purpose was not to report the news, but that it had an 'oblique motive' to quickly boost their popularity by using the most memorable highlights of the matches. The fact that the highlights were also entertaining, and that the BSB benefited from providing them, did not mean that the purpose of the rebroadcast was not for reporting the news.[476] This decision can serve to provide some insight to the similar consideration of criticism and review, and particularly that the purpose of criticism or review does not preclude entertainment.

In *Beloff v Pressdram*,[477] the defendant magazine published the entirety of the plaintiff's unpublished memo, in a story criticising the plaintiff's political bias. The Court of Appeal took a more restricted view of fair dealing, noting that

> The relevant fair dealing is thus fair dealing with the memorandum for the approved purposes. It is fair dealing directed to and consequently limited to and to be judged in relation to the approved purposes. It is dealing which is fair for the approved purposes and not dealing which might be fair for some other purpose or fair in general. Mere dealing with the work for that purpose is not enough; it must also be dealing which is fair for that purpose; whose fairness, as I have indicated, must be judged in relation to that purpose.[478]

The defendant's dealing with the memorandum in this case was not fair for the purposes of cirticism, review, or news reporting. Ungoed-Thomas

474 Ibid 623.
475 [1992] Ch 141.
476 [1991] 3 All ER 833 at 843-4.
477 [1973] 1 All ER 241
478 Ibid 262.

J concluded that

> [t]he vice of the leak and publication in this case was, to my mind, clearly unjustifiable for the authorised purposes of criticism, review and news, and clearly in my view constituted dealing which was not fair within the statute.[479]

In *Hyde Park v Yelland*, the defendant had published two prints of Princess Diana and Dodi Al Fayed entering and leaving a villa in Paris, extracted from the plaintiff's security footage, in order to refute the public comments of Al Fayed's father.[480] The Court of Appeal took a restrictive view of criticism and review, holding that the use of the prints was not 'necessary' for the purpose, in that the information could have been conveyed in writing.[481]

In *Ashdown v Telegraph Group*,[482] the claimant was the former leader of the Liberal Democrats, and had kept detailed diaries of his political life and career for future publication. The respondent newspaper published extracts leaked from a confidential minute of a meeting between the Prime Minister and the plaintiff and others, concerning the potential formation of a coalition cabinet. The High Court had summarily rejected the newspaper's fair dealing defence, with Morritt VC holding that the purpose was not one of criticism or review, again on the basis that it was not 'necessary' to reproduce the work:

> what is required is that the copying shall take place as part of and for the purpose of criticising and reviewing the work. The work is the minute. But the articles are not criticising or reviewing the minute; they are criticising or reviewing the actions of the Prime Minister and the claimant in October 1997. It was not necessary for that purpose to copy the minute at all.[483]

The Court of Appeal endorsed this reasoning and conclusion, Lord

479 Ibid 264.
480 *Hyde Park Residence Ltd v Yelland* [2001] Ch 143.
481 Ibid 159, 171; see Michael Handler and David Rolph. "'A real pea souper': The Panel Case and the development of the fair dealing defences to copyright infringement in Australia" (2003) 27(2) *Melbourne University Law Review* 381, 393.
482 [2001] 2 All ER 370.
483 Ibid 379.

Phillips noting that he had nothing to add.[484]

These six examples show an extensive split between restrictive and broad approaches to criticism and review in the UK. It is by no means certain as to which approach is to be preferred in any given case. Handler and Rolph note that the unpublished nature of the material in the last three cases may have been a deciding factor in the restrictive approach taken by the Courts.[485] If this is the case, there may be quite a lot of room to move in the Australian interpretation of criticism and review.

In *De Garis v Neville Jefress Pidler*,[486] the Federal Court was asked to determine whether a press-clipping service, which monitored newspapers and other media and provided relevant photocopies to its customers, infringed the copyright in the articles copied. Beaumont J held that Jefress's activities did infringe copyright in the literary works, and could not be protected by any fair dealing defences – on no construction could Jeffress's work be considered criticism or review, as its only activity was selecting of relevant clippings. His Honour held, drawing from the *Macquarie Dictionary*, that 'criticism' means "1. the act or art of analysing and judging the quality of a literary or artistic work, etc: literary criticism. 2. the act of passing judgment as to the merits of something... 4. a critical comment, article or essay; a critique",[487] and 'review' means "1. a critical article or report, as in a periodical, on some literary work, commonly some work of recent appearance; a critique…".[488] Beaumont J narrowly constrained the definition of 'criticism' to requiring 'judgment', and 'review' as the end result of that criticism.[489]

More recently, in the New Zealand High Court, Salmon J adopted the somewhat broader approach (drawing from the Shorter Oxford English Dictionary) that 'criticism' means "the investigation of the text,

484 *Ashdown v Telegraph Group Ltd* [2001] 4 All ER 666, 682.
485 Michael Handler and David Rolph. "'A real pea souper': The Panel Case and the development of the fair dealing defences to copyright infringement in Australia" (2003) 27(2) *Melbourne University Law Review* 381, 395.
486 (1990) 37 FCR 99.
487 Ibid 107.
488 Ibid.
489 Ibid.

character, composition and origin of literary documents" and "the art or practice of estimating the qualities and character of literary or artistic works", and 'review' means "an account or criticism of a book, play, film, product etc".[490]

In *Nine Network Australia v Australian Broadcasting Corporation*,[491] Hill J in the Federal Court echoed the reasoning in *BBC v BSB*, holding that "the fact that news coverage is interesting or even to some entertaining [...] does not negate the fact that it could be news."[492] The broadcasting by the ABC of the Sydney new year's eve 2000 celebrations could still be considered news, notwithstanding that the broadcast was to be accompanied by humorous commentary. In reaching this decision, His Honour noted that

> [...] I find the distinction between news and entertainment a very difficult one. It is not one I think which can be resolved by looking at the dictionary definition of the word. In some ways it may well be as difficult as the issue that has dominated the news press over the last few months of some suggestion of difference between commentary and info-tainment or entertainment.

This decision represents a view that news reporting is not necessarily traditional reporting, but can be entertaining and humorous in its own right. Like *BBC v BSB*, this broad approach to news reporting may have some relevance to determining the extent of permissible criticism and review by analogy. Criticism and review may still be criticism and review, notwithstanding that they are also humorous or satirical.

In *The Panel* at first instance, after reviewing the authorities, Justice Conti drew out eight conclusions of principle from the authorities regarding fair dealing:[493]

> (i) Fair dealing involves questions of degree and impression; it is to be judged by the criterion of a fair minded and honest person, and is an abstract concept.

490 *Copyright Licensing Ltd v University of Auckland* (2002) 53 IPR 618, 625.
491 (1999) 48 IPR 333.
492 Ibid 340.
493 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235, 285.

(ii) Fairness is to be judged objectively in relation to the relevant purpose, that is to say, the purpose of criticism or review or the purpose of reporting news; in short, it must be fair and genuine for the relevant purpose, because fair dealing truth of purpose.

(iii) Criticism and review are words of wide and indefinite scope which should be interpreted liberally; nevertheless criticism and review involve the passing of judgment criticism and review may be strongly expressed.

(iv) Criticism and review must be genuine and not a pretence for some other form of purpose, but if genuine, need not necessarily be balanced.

(v) An oblique or hidden motive may disqualify reliance upon criticism and review, particularly where the copyright infringer is a trade rival who uses the copyright subject matter for its own benefit, particularly in a dissembling way; "the path of criticism is a public way".

(vi) Criticism and review extends to thoughts underlying the expression of the copyright works or subject matter.

(vii) "News" is not restricted to current events.

(viii) "News" may involve the use of humour though the distinction between news and entertainment may be difficult to determine in particular situations.

Michael Handler and David Rolph suggest that both Conti J at first instance, and the Full Federal Court on appeal, failed to clearly set out the principles which apply to fair dealing in Australia. The authors note that "[t]he essential problem is [...] that Conti J's eight Principles are an agglomeration of statements drawn from [the Australian and UK] authorities that have not been analysed or criticised."[494] Handler and Rolph argue further that *The Panel* provides an unduly narrow and uncertain approach to criticism and review which is not supported by the authorities.[495]

494 Michael Handler and David Rolph. "'A real pea souper': The Panel Case and the development of the fair dealing defences to copyright infringement in Australia" (2003) 27(2) *Melbourne University Law Review* 381, 390.

495 Ibid 400.

This argument appears to have substantial weight. The authorities seem to present no clear principle that criticism and review must be performed in a serious or overt manner. More subtle forms of criticism or review, like parody or satire, do not necessarily have to be excluded from the fair dealing defence.[496] Taking a broad view of criticism and review would also accord with the theory, which tells us that if unlicensed uses of this sort are not permissible, they are not likely to be produced. Indeed, it is hard to imagine Channel Nine licensing its television broadcasts for use on *The Panel*, where the broadcasts, Channel Nine, and other unrelated subjects would be open to criticism or ridicule. As we have seen, the purpose of copyright is not to shield the owner from either criticism or ridicule.

(b) Fair dealing for the purposes of parody, pastiche, and caricature?

In May 2005, the Commonwealth Attorney-General's Department released the *Fair Use and Other Copyright Exceptions* Issues Paper,[497] which called for submissions on whether the *Copyright Act 1968 (Cth)* should include a general fair use exception or any new specific fair dealing exceptions. One possibility advanced which seemed generally uncontroversial was the introduction of a specific fair dealing exception for parody, pastiche, and caricature.[498]

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496 See Lynne Greenberg, 'The Art of Appropriation: Puppies, Piracy, and Post-Mdoernism' (1992) 11 *Cardozo Arts and Entertainment Law Journal* 1, 29, arguing against the finding that a sculptured caricature of a photograph of a couple holding a litter of puppies (in *Rogers v Koons*), was not 'criticism': "it is not the proper role of the court to be making pronouncements about what does and does not constitute proper criticism in the realm of the visual arts. By refusing to recognize the critical nature of the work, the court emphasizes its unsuitability to act as an art critic."

497 Available at <http://www.ag.gov.au/agd/WWW/rwpattach.nsf/VAP/(03995EABC73F94816C2AF4AA2645824B)~FairUseIssuesPaper050505.pdf/$file/FairUseIssuesPaper050505.pdf>

498 Copyright Agency Limited ('CAL submission'), submission to the Attorney-General's Department *Fair Use and Other Copyright Exceptions* review, <http://www.copyright.com.au/reports%20&%20papers/CAL%20Fair%20Use%207%20July%202005%20~%20final.pdf>, [54] (only parody, not humorous use without comment on the original); Copyright in Cultural Institutions ('CICI submission'), submission to the Attorney-General's Department *Fair Use and Other Copyright Exceptions* review, <http://www.nma.gov.au/libraries/attachments/about_us/cici/fair_use_su

In French Copyright law, there is an express exception for "parody, pastiche, and caricature, obeying the rules of the genre".[499] Parodies in France must avoid the risk of confusion and intend to cause laughter, and must not be malicious.[500] The standard of humour is quite low, but the intention of humour must be present.

An express exception for parody would go a long way to protecting the interests of transformative users, but is not, on its own, sufficient. Not all valuable transformative works can be be classified as parodies, and there is a significant concern that overemphasising parodies as allowable will restrict the viability of other forms of transformative speech.

(c) A distinction between parody and other uses

Parody is given greater latitude in US copyright law on the basis that it (a) is useful as criticism and should be encouraged, and (b) necessarily needs to 'conjure up' the work that it is criticising in order to be

bmission/files/9810/CICI%20submission_AGD%20fair%20use%20review.pdf>, p14; Australian Subscription Radio and Television Association ('ASTRA submission'), submission to the Attorney-General's Department *Fair Use and Other Copyright Exceptions* review, <http://www.astra.org.au/content/pdf/FairUseJuly05.pdf>, p 6; Intellectual Property Research Institute of Australia ('IPRIA submission'), submission to the Attorney-General's Department *Fair Use and Other Copyright Exceptions* review, <http://www.ipria.org/research/IPRIA%20&%20CMCL%20Fair%20Use%20Submission.pdf>, pp 29-30; Electronic Frontiers Australia ('EFA submission'), submission to the Attorney-General's Department *Fair Use and Other Copyright Exceptions* review, <http://www.efa.org.au/Publish/efasubm-agd-fairuse2005.html>; Law Council of Australia ('LCA submission'),submission to the Attorney-General's Department *Fair Use and Other Copyright Exceptions* review, <http://www.lawcouncil.asn.au/sublist.html?year=2005>, pp 8-11; but cf Australian Copyright Council ('ACC submission'), submission to the Attorney-General's Department *Fair Use and Other Copyright Exceptions* review, <http://www.copyright.org.au/pdf/acc/Submissions/X0503.pdf>, p 8; and National Association for the Visual Arts ('NAVA submission'), submission to the Attorney-General's Department *Fair Use and Other Copyright Exceptions* review, <http://www.visualarts.net.au/nava/PDFs/NAVA%20Fair%20Use%20submission.pdf>, 4 (arguing that such an exception would reduce the utility of the recently inserted moral rights provisions).

499 *Intellectual Property Code* (Fr) Article L122-5.

500 Thierry Joffrain, "Deriving a (Moral) Right for Creators" (2001) 36 *Texas International Law Journal* 735, 760 (note 221); J A L Sterling, *World Copyright Law* (2nd ed, 2003), 522-3.

effective.[501] Because the owner of copyright is unlikely to license critical uses, parody is given more freedom to copy without infringing the copyright owner's exclusive rights.[502] Parodies, by their nature, must therefore be critical of the work parodied. Conversely, under French Law, parody is protected as a playful form of humorous expression.

If parody is to be recognised in Australian law, it will more than likely follow one of the above two models. If parody is recognised as an extension of fair dealing for criticism or review, the exception will mirror the US approach. On the other hand, if a new exception is created for parody, pastiche, and caricature, then it would seem to emphasise humour, as in the French tradition.

The problem with casting parody as either direct criticism or humour is that one is left with the task of drawing a somewhat artificial distinction between criticism of the work (parody) and criticism of society (satire), or between humorous parodies and non-comedic critiques. It has been suggested that the greater latitude given to parody, as opposed to other forms of re-use, is a distinction which is artificially difficult to enforce.[503] It is unclear why parody should be privileged above these other types of re-use, or, more accurately, why other types of expression are not accorded the same protection as is parody, particularly since literary theory is not able to easily and reliably separate parody from other forms of expression.[504]

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501 *Campbell v Acuff-Rose Music Inc* (1994) 510 U.S. 569, 581.

502 See Richard Posner, "When is Parody Fair Use?" (1992) 21 *Journal of Legal Studies* 67.

503 See Ellen Gredley and Spyros Maniatis, 'Parody: A Fatal Attraction? Part 1: The Nature of Parody and its Treatment in Copyright" [1997] 7 *European Intellectual Property Review* 339,343: "Basing a legal theory on the distinction between [parody and satire] may, however, lead the courts into the need to devise near impossible distinctions between satiric parodies and parodic satires".

504 Gredley and Maniatis note that the popular and legal definitions of parody require "a specific work of humorous or mocking intent, which imitates the work of an individual author or artist, genre or style, so as to make it appear ridiculous", but ignore other literary definitions, such as "a unique form of literary or artistic criticism, which achieves its end through analytical mimicry"; "a device which can be employed in other genres, such as satire"; "a 'comic refunctioning' of pre-existing material"; "a genre which involves the intentional appropriation and ironic reworking of pre-existing works or forms, but with no ridiculing or even comic intent" (ibid, 341).

The other problem with placing reliance on criticism of the work used is that using a work to criticise another subject, or society generally, is generally not allowable. The reasoning behind this is the view that if the criticism is not levelled at the work or its author, then copyright licences will not unduly be withheld. This assumes that either (a) the owner of copyright would be happy to license her work for an attack on other values; or (b) a general satire of society does not need to reuse the specific work in question.

The fact that a parody is not targeted specifically at the work or the owner of the work does not mean that a copyright licence will necessarily be easy to obtain. If parody is to be valued because it is critical, a requirement that a parodist obtain a licence will restrict the range of potential parodies. Copyright owners may not like to be associated with a particular critical viewpoint, or may not wish to be seen to endorse the criticism of their political or economic allies. Of course, the argument then returns to the point that if a parodist is not criticising the work being used, they should in theory be able to use any other work to get the same message across.

Satire is not accorded the same latitude as parody because the a critique does not need to rework a specific work to make a general comment on society. This argument is flawed in that it suggests that the would-be parodist will be able to either obtain a licence from *some* copyright owner, or forgo the use of copyright works, in order to make his or her statement. This logic ignores the simple fact that sometimes a particular copyright work is the best vehicle to convey the critical message of the author. While it may be possible to make a satirical statement about society without reusing copyright material, it will often be significantly more difficult, or the force of the message may be significantly diminished.[505]

505 Neil Netanel uses the example of the satirising of Disney characters in *Disney v Air Pirates* (1978) 581 F.2d 751: "There are, of course, many ways to challenge romanticized imaginings of American life. But the humorous denigration of a cultural icon that immediately brings those imaginings to mind may be a particularly potent way to do so. And in that regard, it is highly unlikely that, having been thwarted by Disney, the comic book creators could have obtained a license from Time Warner or another Disney competitor to use any of those entities' proverbial characters in a similar manner for a similar purpose." (Neil Netanel,

Even where a transformative work is not overtly critical of either the original work, it's owner, or society, it still runs a significant risk of being refused a copyright licence. Copyright owners may not want to be associated with the transformative user's message, whether it is critical or not. If parody is to be protected because it is difficult to obtain a licence to ridicule someone's work, it follows that other transformative uses must be equally protected.

To draw solid legal barriers between parody and other forms of transformative reuse ignores the close relationship and permeable boundaries that all these uses have in literary and artistic practice. It is not always possible to separate parody from satire, or humorous from serious reworkings. Unless there is a convincing reason to draw such a distinction, there is a strong argument that other forms of transformative work should be afforded the same leeway as parody.

(d) The fallacy that fair dealing provides certainty at the expense of flexibility

The preceding discussion shows that while the fair dealing defences have the potential to provide some measure of protection for transformative users, their application is by no means certain. Many submissions to the *Fair Use Review* which opposed the introduction of an open ended exception to copyright argued that the purposive fair dealing exceptions provided much needed certainty, at the expense of a degree of flexibility. Unfortunately, under current Australian law, the fair dealing defences provide neither certainty nor flexibility.[506]

The most prominent example of this uncertainty can be found in the recent *Panel* decisions. Both at first instance and in the Full Federal Court, the approach taken to the interpretation of the fair dealing exceptions was one of 'impression'.[507] While statements of principle were extracted from the authorities, their relative weight, relevance, and

"Market Hierarchy and Copyright in Our System of Free Expression" (2000) 53 *Vanderbilt Law Review* 1879, 1910).

506 IPRIA submission, p 26.

507 Michael Handler and David Rolph. "'A real pea souper': The Panel Case and the development of the fair dealing defences to copyright infringement in Australia" (2003) 27(2) *Melbourne University Law Review* 381.

correctness was not discussed. The terms of the principles extracted were quite wide, but the application of the principles to the facts in the case resulted in implied preferences towards 'real' criticism, or 'proper' reporting of the news.[508] There was little guidance throughout any of the judgments as to how the defences are to be evaluated in future.

(e) The inflexibility of fair dealing

The biggest problem with fair dealing exceptions with regard to transformative uses is that they are highly purposive, while transformative uses are broad and extremely varied. It is difficult to predict (and enshrine in legislation) the exact types of uses we will allow, both now and in the future. As people exercise their creativity in unexpected ways, copyright law has to be flexible enough to restrict uses which would remove the incentive to create new works or devalue the expression, but allow those which would not, and also those that may, but which must be allowed for the benefit of society.

When novel uses of copyright material are made, the courts should have an opportunity to determine whether that use, which would otherwise constitute infringement, should be properly covered by legislation which did not envisage it. For example, an Australian court would not be open to find that the use by children of copyright superhero characters for roleplaying in a digital playground is allowable. There is no fair dealing exception for play.

Another example is Duchamp's L.H.O.O.Q – an Australian court would have to take an uncharacteristically broad view of the definition of 'criticism or review' in order to find that the adding of a moustache and goatee to the Mona Lisa is a fair dealing. The same is true of machinima; if the use of a computer game as an animation platform is found to reproduce a substantial part of the game (as a literary work or as a film), only machinima productions which deal critically with the game may possibly be found to make a fair dealing. Productions which are highly creative, but do not engage with the game's subject matter itself, are not likely to be permissible.

508 Ibid.

As technology evolves rapidly, in new and unexpected directions, the law must be flexible enough to keep up. Relying on purposive fair dealing exceptions necessitates the (slow) intervention of the legislature each time a new use develops. The result is that many uses are potentially stopped before they can become popular, meaning that no exception will ever be made. It is perhaps much more desirable that alleged infringers of copyright be able to rely on a broad fair use defence when unexpected uses are challenged in court.

3. Fair use

Fair use, unlike fair dealing, is an open ended exception to copyright infringement. The doctrine exists to allow uses which are beneficial to society that would otherwise constitute copyright infringement, but does not necessitate that the use fits into a purposive fair dealing category. Fair use allows the judiciary to flexibly excuse certain uses of copyright material as the circumstances require. Judge Pierre Leval of the United States District Court for the Southern District of New York wrote (extrajudicially) that

> [f]air use should not be considered a bizarre, occasionally tolerated departure from the grand conception of the copyright monopoly. To the contrary, it is a necessary part of the overall design.[509]

Fair use, like fair dealing, exists because it is recognised that copyright material forms the inputs for further creation, and to deny use in all cases will unduly burden the creation of new information.[510]

In the United States, fair use as an exception to copyright infringement involves the consideration of four factors:[511]

> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational

509 Pierre Leval, "Toward a Fair Use Standard" (1990) *103 Harvard Law Review 1105*, 1110.

510 See the famous quote by Story J in *Emerson v. Davies* (1845) 8 Federal Cases 615, 619*:* "[i]n 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."

511 17 USC § 107.

> 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.

So far we have dealt with transformative use of copyright material as relevant to the substantiality of the material taken with regards to the original. If this view is accepted, and transformative quality is considered to a greater extent in the question of substantiality, then fair use will have little relevance in Australian law. However, if the Australian courts continue to apply a very narrow construction of substantiality, fair use will be necessary to mitigate the damage caused by an overly restrictive copyright regime.

Fair use does have an advantage over the expansion of the substantiality discussion, in that it can apply as a defence where a question of substantiality cannot apply. If a transformative user takes the entirety of a copyright work and republishes it, for example, in a collage, or a film, or a photograph, then there can be no argument that the user reproduced less than the whole of the work. Accordingly, any argument that the transformative use should be allowed must be made as a defence to copyright infringement. Unless the fair dealing defences are significantly expanded, an open ended fair use exception may be necessary in this scenario.

If such an exception were to be introduced in Australia, the considerations of substantiality discussed above would be almost directly applicable in the construction of the defence. The test, with regard to transformative works, should remain to be whether the new work is substitutable for the original work. Other factors in a fair use defence may be relevant to other uses of copyright material, but a substitutability test is, as we have seen, the ideal primary method of determining whether an unlicensed transformative use should be permissible.

(a) Fair use and transformative works vs the extended substantiality tests

If the Commonwealth Government determines that an open ended exception to copyright infringement should be introduced, both legislature and the courts should have regard to the theory discussed above, and the inadequacies in US fair use decisions with regard to transformative uses. There is no reason that an Australian fair use defence can not lead the way in providing a clear exemption of transformative uses from the exclusive economic rights of the copyright owner.

In *Campbell v Acuff-Rose*,[512] the US Supreme Court was asked to determine whether a rap parody of Roy Orbison's song, "Oh, Pretty Woman", could be a fair use under US law. The court rejected both the argument that parody should presumptively be regarded as fair, and the argument that commercial re-uses should presumptively be regarded as unfair. The central purpose of the first fair-use factor, the purpose and character of the use, "is to see [...] whether the new work merely supersedes the objects of the original creation, or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message".[513] The Court noted that

> the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works. Such works thus lie at the heart of the fair use doctrine's guarantee of breathing space within the confines of copyright, and the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.[514]

The Court held that even though the parodists may have taken the 'heart' of the original, they took no more than was necessary to conjure up the song for parody.[515]

Naomi Abe Voegtli notes that transformative users have difficulty

512 *Campbell v Acuff-Rose Music Inc* (1994) 510 U.S. 569.
513 Ibid 579, internal citations omitted.
514 Ibid 579, internal citations omitted.
515 Ibid 589.

establishing the fair use defence, on the basis that their works are often commercial, are not given greater leeway by courts due to their artistic practices, and often take a substantial or valuable portion of the original work.[516] Accordingly, "the fair use defense is likely to fail, unless a court categorizes [the] defendant's work as parody".[517]

The 1976 US case *Gilliam v ABC*[518] provides a good example of when a transformative use should properly be found to be substantial. In this case, Monty Python successfully sued the US ABC when the ABC had cut 24 minutes from each of two 90 minute broadcasts, in order to make room for advertising and to remove offensive material. The court granted an interlocutory injunction against the ABC, on the basis that if the facts alleged were proved, the ABC would have infringed copyright in the script of the programmes (but not the broadcast, because it had been licensed) by making a derivative work. Under the substantiality tests we have put forward, ABC's use should be found to be substantial. Quantitatively, a large portion was taken (66 of 90 minutes), the pieces were qualitatively significant, and the edited versions broadcast do not form a re-expression by the ABC, but were intended to be completely substitutable for the original in the US market.

In contrast, in *Rogers v Koons*,[519] Rogers had taken a photograph of a couple holding a litter of puppies, which had been widely commercialised, in postcards, an anthology, and as a signed print. Rogers found one of the postcards of the black and white photograph, and had the scene carefully recreated in four identical wood sculptures, painted in blue, with garish, accentuated features. Koons displayed and sold three of the four sculptures for USD$367,000. The sculptures were clearly copied from the photograph.[520] The Second District Court of Appeals turned to the four-factor fair use analysis, and held that the first factor (purpose and character of the use) weighed against Koons, on the basis that (1) they were commercial in nature; (2) Koons had acted in

516 Naomi Abe Voegtli, "Rethinking Derivative Rights" (1997) 63 *Brooklyn Law Review* 1213, 1227.
517 Ibid 1232.
518 (1976) 538 F.2d 14 (Second Circuit Court of Appeals).
519 *Rogers v Koons* (1992) 960 *F.2d* 301 (US States Court of Appeals, Second District).
520 Ibid 308.

bad faith by removing the copyright mark from the postcard prior to sending it to the sculptors to copy; (3) although the sculptures may have been a parody of society, they were not a parody of the photograph itself.[521] The Court also found that the other three factors weighed against Koons, because the original photograph was original and expressive,[522] the sculptures copied an impermissible amount from the photograph,[523] and that the potential market for licensed sculptures from the photograph or of any other reproductions would be prejudiced by Koons' sculptures,[524] respectively.

The *Koons* case is interesting. Koons exercised significant artistic direction and created extraordinary sculptures from an average postcard, notable to Koons precisely because of its commonality and ordinariness.[525] As far as quality and quantity are concerned, the sculptures certainly reproduce a significant portion of the photograph. On the other hand, however, the four sculptures are highly expressive of Koons' transformation, and are unlikely to negatively impact on the market for the photograph. The market they can impact upon is the market for potential derivatives. Since Rogers is a professional photographer who makes his living from licensing derivatives from his photography, this argument may have some weight.[526] The question of impact now becomes more complicated. It is important not to stretch the question of 'substantiality' beyond breaking-point. It doesn't seem relevant in this case that Koons was well paid for his sculptures – the sculptures form his own expression, not a simple re-packaging of Rogers' work. The risk of negative impact of requiring transformative users to obtain licences from copyright owners potentially remains in this case, and probably outweighs the interests of professional photographers in being paid for this type of use of their works. Sculptures are unlikely to pay significant licence fees to reproduce a

521 Ibid 309-10.
522 Ibid 310.
523 Ibid 311.
524 Ibid 312.
525 See Lynne A. Greenberg, "The Art of Appropriation: Puppies, Piracy, and Post-Modernism" (1992) 11 *Cardozo Arts and Entertainment Law Journal* 1, 27.
526 William M Landes, "Copyright, Borrowed Images and Appropriation Art: An Economic Approach" (2000) 9 *George Mason Law Review* 1, 19-20.

photograph which is prized for its generic nature – it more than likely could not be described as the 'bread and butter' of a professional photographer's career. The use should accordingly be allowed; the decision in the US Court of Appeals does not agree with the theory we have discussed above.

Another classic case where commercial factors need to be considered is Andy Warhol's silkscreens. Warhol created a series of silkscreen prints that incorporated a photograph of Jacki Kennedy by Henri Dauman. Warhol also reproduced the silkscreen prints on a variety of commercial products, including calendars and postcards. In this case, Warhol's use of the photograph was transformative in nature – Landes notes that he added "substantial original expression to the original image and silk-screens".[527] However, Landes also notes that, had the case proceeded to trial, Warhol would likely have lost a fair use claim on the basis that Dauman may have lost substantial licensing opportunities, and that this result would have been economically sound, because "transaction costs were low enough to make a negotiated license between Warhol and Dauman the likely outcome without altering Warhol's incentives to use the original photograph".[528] Landes concludes that fair use should allow appropriation art when the savings due to smaller transaction and access costs on the appropriation artist outweigh the reduced incentives to create new works caused by lost licensing revenue.[529] This is likely to occur "in cases where the appropriation artist has already paid for the image or is making only a few copies".[530] On the other hand, "to sanction appropriation art [when the appropriation artist makes many copies] would weaken incentives to create new images and add uncertainty to the already uncertain question whether or not something can be lawfully copied".[531] Landes concludes with a warning that 'art' in this case should be treated no differently to unauthorised commercial reproductions by firms.[532]

Following the substantiality tests we have discussed above, Warhol's

527 Ibid 19.
528 Ibid.
529 Ibid 23.
530 Ibid.
531 Ibid 23-4.
532 Ibid 24.

silkscreens would be both qualitatively and quantitatively substantial. They undoubtedly reproduce the 'heart' of the original photograph. However, they are re-expressed by Warhol. They are in no way substitutable for the original photographs. They are truly transformative, and should consequently be allowed as such. The fact that they were subsequently reproduced on many commerical products doesn't necessarily change their expressive nature – if we have agreed that a work is transformative and should be allowed, we must allow it to be used as the transformative creator sees fit – it would be strange to argue that transformative works are allowed, but only as long as they are 'art' and are not commodified. That discussion is much better suited to the consideration of moral rights, below.

In the case of Duchamp's L.H.O.O.Q. under US law, it is possible that Duchamp's mustachioed Mona Lisa would be a parody and should be allowable as fair use,[533] but it is also arguable that it is not a parody at all, because it does not comment on either the Mona Lisa or Da Vinci. The application of the US fair use defence is by no means clear in such a case. If we consider our substantiality test, on the other hand, we would allow Duchamp's use on the basis that his re-expression is highly transformative, and not at all substitutable for the original work. This is so even though Duchamp's modifications may be quantitatively small – the entire character of the Mona Lisa is changed, and there is no reasonable chance that a potential consumer of Da Vinci's expression would be satisfied by Duchamp's (to the exclusion of Da Vinci's).[534]

The same reasoning applies to the final example of Sherry Levine's photographing of copyright photographs in her work. Although she has reproduced the photographs in their entirety, and they cannot properly

533 Geri Yonover, "Artistic Parody: The Precarious Balance: Moral Rights, Parody, and Fair Use" (1996) 14 *Cardozo Arts and Entertainment Law Journal* 79, 122.

534 See Patricia Krieg, 'Copyright, Free Speech, and the Visual Arts' (1984) 93 *Yale Law Journal* 1565, 1584, considering a first amendment defence to copyright infringement: "Duchamp's First Amendment defense should clearly prevail. Although he added but two black lines to an art print, Duchamp clearly conveyed original, conceptual expression through his work. L.H.O.O.Q., a critical condemnation of the traditional precepts of Western art, added to a legacy of aesthetic interpretation. Furthermore, despite the minimal alteration to the original work, it is unlikely that potential purchasers would consider L.H.O.O.Q. a desirable substitute for the Mona Lisa."

be described as parody, her use is transformative and non-substitutable, and should be allowed.

(i) Fair Use in Australia

These examples highlight a critical shortcoming of the US fair use construction when compared to the substantiality test we have discussed. If an open ended copyright exception is to be adopted into Australia, we should not be bound by the US experience and authorities. There is no reason that Australia cannot be a leader in this field, enhancing the quality of copyright discourse around the world. To inherit the US position wholesale would entail giving up the opportunity to learn from the mistakes that we can identify in US copyright doctrines. Particularly, we have the ability to see that there are some limitations to the US fair use approach with respect to transformative uses which are not parodies. Any adaptation of such an exception in Australia should attempt to ensure that the boundaries of the exception follow as closely as possible to the exceptions for transformative use that we have discussed above.

Whether Australia should adopt an open ended copyright exception is subject to extensive debate. As we saw above, the main advantage of a fair use test is that it allows for flexibility in the application of copyright law. As many of the *Fair Use Review* submissions note, an open ended exception may allow Australian law to adapt to future developments in technology and copyright practice,[535] encourage users to undertake activities which they are not currently willing to engage in for fear of infringing copyright,[536] assist copyright law to adapt to market failure or market inefficiencies better than laws that provide specific exceptions for set purposes,[537] and import the US style exceptions to copyright infringement after having imported stricter rules under the *Australia – US Free Trade Agreement*.[538]

535 CICI submission, p14; IPRIA submission, p 27; EFA submission.
536 CICI submission, p14; but see Screen Producers Association of Australia ('SPAA submission'), submission to the Attorney-General's Department *Fair Use and Other Copyright Exceptions* review, <http://www.spaa.org.au/paper.cfm?p=P827wb&dx=blank> [13], where it would encourage infringement of copyright.
537 CICI submission, p14.
538 Australian Libraries Copyright Committee ('ALCC submission'), submission

The objections raised by other submissions to the *Fair Use* review are numerous. The most relevant of these seem to be that a fair use system may not meet the requirements of international law,[539] that it would involve too much uncertainty and litigation,[540] that certainty could never be achieved because the boundaries can shift over time,[541] that copyright infringement is increasing and any new copyright exceptions should not be entertained,[542] and that fair use may result in increased infringement and less commercially viable productions.[543]

Article 9(2) of the Berne Convention provides that exceptions to the copyright owner's exclusive rights can be made to "permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author."[544] Sam Ricketson, in a comprehensive review of the three-step test, determined that an open ended fair use exception would not pass the first limb of the test, in that it does not relate to "certain special cases".[545] The other two limbs appear to be satisfied.[546] This question has been raised in the *Fair Use* review, and will presumably be dealt with by the Attorney-General. IPRIA, in their submission to the review, noted

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to the Attorney-General's Department *Fair Use and Other Copyright Exceptions* review, <http://www.digital.org.au/alcc/>; Australian Digital Alliance ('ADA submission'), submission to the Attorney-General's Department *Fair Use and Other Copyright Exceptions* review, <http://www.digital.org.au/submission/submission.htm>.

539 CAL submission, [30]; Sam Ricketson, 'The Three-Step Test, deemed quantities, libraries and closed exceptions' (2002) Centre for Copyright Studies <http://www.copyright.com.au/reports%20&%20papers/CCS0202Berne.pdf>, pp149-153.

540 CAL submission, [31]; SPAA submission, [12], [17]; ACC Submission, p 4; LCA submission, p12; NAVA submission, 5.

541 CAL submission, [32]; ASTRA submission, p 8;

542 SPAA submission, [18].

543 SPAA submission, [13], where it would encourage infringement.

544 *Berne Convention for the Protection of Literary and Artistic Works*, 9 September 1886, amended 28 September 1979, art 9(2); see also *Trade-Related Aspects of Intellectual Property Rights (TRIPS)*, 16 April 1994, art 13; *WIPO Copyright Treaty (WCT)*, 20 December 1996, art 10; *WIPO Performances and Phonograms Treaty (WPPT),* 20 December 1996, art 16; *Australia-United States Free Trade Agreement (AUSFTA)*, 18 May 2004, Article 17.4.10(a).

545 Sam Ricketson, 'The Three-Step Test, deemed quantities, libraries and closed exceptions' (2002) Centre for Copyright Studies <http://www.copyright.com.au/reports%20&%20papers/CCS0202Berne.pdf>, p157.

546 Ibid.

that objection to a fair use defence on this ground "is largely speculative, and effectively moot given the position of the US and the lack of any likelihood that the US view on compliance with Berne would ever be challenged."[547] Indeed, Ricketson noted that the question of the compatibility with Berne had not been raised with regards to the US, despite the US entering into the Berne Convention in 1989.[548]

The next objection to fair use is that it is inherently uncertain in application. However, as we have seen, current Australian copyright law is by no means certain or predictable in its application. The IPRIA submission notes that objections to fair use on the basis that it is uncertain are therefore misplaced.[549]

The fact that fair use is flexible and subject to change with the times can either be seen as a benefit or a drawback. Advocates of an open ended copyright exception suggest that the flexibility in the system would allow copyright law to adapt with uses of copyright material not envisaged at the time specific exceptions are drafted. Critics argue that the limits of copyright should be delineated by the legislature and not the courts. The problem is compounded by the lack of any judicial precedent in Australia, whereas in the US, the fair use provisions did little more than codify the existing law. I submit that increasing the flexibility in the Australian copyright system is an important goal, given the inadequacies discussed so far. If it is true that such flexibility must come at the expense of some level of certainty, it is hoped that the judiciary is able to articular some clear principles by which users and owners of copyright material can evaluate their positions. The judiciary already plays an important part in the interpretation of Australian copyright law, and an open ended fair use could add to the judiciary's ability to delineate between free and restricted uses of copyright material. Further, by introducing an open ended exception, the legislature would be able to provide some initial guidelines as to what factors are important in evaluating the defence, potentially clearing some of the confusion that has arisen in recent years.

547 IPRIA Submission, p 26.
548 Ibid, p 155.
549 IPRIA submission, pp 25-6.

Another objection to a fair use approach is that as rates of copyright infringement increase worldwide, legislatures should not be increasing the availability of defences to infringement.[550] This argument unreasonably blurs the distinction between piracy (large scale copying and distribution of infringing material for commercial gain) and fair uses of copyright material which, for policy reasons, should not constitute infringement. There is no suggestion that introducing an open ended fair use defence would increase the rates of wholesale infringement of copyright – these uses are highly unlikely to be considered 'fair' on any interpretation.

The question of whether to introduce fair use into Australian copyright law is currently being considered by the Attorney-General. This thesis has identified a problem in Australian copyright law with regards to transformative use, and that problem can be resolved through either the expansion of the substantiality test, or the introduction of an open ended copyright exception. Whichever of these methods is implemented, the theory and its application remain very similar. A fair use defence is desirable both because it would provide a clear legislative mandate to the judiciary to examine the context in which copyright material is used, and because it can be invoked when the whole of a copyright work is reproduced. A reworking of the substantial part test, on the other hand, does not require legislative intervention, and can potentially allow the judiciary to engage in a critical application of copyright principles to protect the rights of the Australian. As long as there is a sound understanding of the theory behind copyright law, which of these approaches is taken makes little practical difference.

4. Moral rights

The question of moral rights is quite different from the consideration of the proper extent of commercial rights in copyright law. Australian law currently provides for the inalienable rights of integrity, attribution, and

550 SPAA submission [18]; ASTRA submission p 8.

protection from false attribution.[551] Under Australian law, moral rights apply to individual authors of original literary, dramatic, musical, and artistic works, and also to makers of cinematograph films.[552] The 'makers' of films are the director, the producer, and the screenwriters. Moral rights in Australia mirror quite closely Article 6(bis) of the *Berne Convention*, which means that international authorities will carry significant weight when these rights come to be considered by Australian courts.

The conflict between transformative use and moral rights is twofold. The most obvious consideration is that some transformative users, having obtained a licence from the copyright owner, or fit within an exception to copyright infringement, may nonetheless be restrained from dealing with the copyright work in certain ways by the author of the original work. The other concern is that allowing unlicensed transformative uses of copyright material would both expose artists to a greater risk of unauthorised commercial exploitation of their work,[553] and interfere significantly with the utility of the right to integrity.[554] These concerns are not mutually exclusive. Drawing from the theory underlying moral rights, we can derive some principles which protect the interests of authors in their works, whilst also allowing new authors to draw from existing works to exercise their own creative expression.

When evaluating the proper scope of moral rights, the theory presents two main principles which must guide our interpretation. The first is that moral rights protection should only apply to authors of personal work, where there is a personal bond between the author and the work. The second is that any protection granted to the author of a work must not unreasonably prevent the self-actualisation of future authors of personal works through their own creativity.

(a) Attribution and the right to not be falsely attributed

The right to attribution, and the corresponding right not to be falsely

551 *Copyright Act 1968*(Cth) Part IX.
552 Ibid s 189.
553 NAVA Submission, 3.
554 Ibid 4.

attributed, are the most straightforward of the moral rights. They present little problem to transformative users, except in the case where so many samples of copyright material have been used that the required attribution credits become quite unwieldy.

Sections 193 and 194 provides that an author has the right to be identified when his or her work (or a substantial part) is reproduced or communicated. The identification can be "any reasonable form of identification",[555] unless the author has specified a specific reasonable manner of identification.[556] The authorship credit must be clear and reasonably promiment,[557] which means that someone acquiring a copy of the material will have notice of the author's identity.[558]

Section 195AC provides that an author of a work has the right not to have his or her work falsely identified as the work of another. Sections 195AG and 195AH provide that a person who makes significant changes to an author's work can not identify the work as the unchanged expression of the original author.

There may be some debate about what exactly constitutes 'reasonable' identification. Particularly in situations where many people contribute to a collaborative work, for example large free software projects, the number of 'authors' who contributed some material may be too large to reasonably list. In the case where a given author only submits a relatively small amount, full prominent attribution, such that a person acquiring the copy has notice of their identity, may be practically impossible. Section 195AR provides that it is not an infringement not to identify the author if it is reasonable in all the circumstances, having regard to a number of factors including the nature and purpose of the work, the context in which it was used, and any relevant industry practices.

In the main, these provisions are relatively straightforward. A transformative user should ensure that he or she acknowledges the author of any material used. This may in some cases slow the creative

555 *Copyright Act 1968*(Cth) s 195(1).
556 *Copyright Act 1968*(Cth) s 195(2).
557 *Copyright Act 1968*(Cth) s 195AA.
558 *Copyright Act 1968*(Cth) s 195AB.

process, for example by requiring sufficiently detailed logs of samples used, but is not an overly onerous requirement.

(b) The right of integrity

The next moral right is the right to integrity of authorship. In Australia, the author of a work has the right not to have the work subjected to derogatory treatment.[559] Derogatory treatment means the doing of anything with respect to the work "that is prejudicial to the author's honour or reputation".[560]

(i) When will a use be derogatory?

There has not yet been any litigation in Australia as to what will constitute derogatory treatment. There has, however, been some consideration in the Federal Court of the term 'debase' with relation to remixes of musical works, which may serve to inform any future judicial considerations of the moral right of integrity. We will also consider some of the more prominent international cases dealing with the question of integrity, which will undoubtedly also help shape Australian interpretations.

(A) The *Carmina Burana* case

With the introduction of moral rights into the *Copyright Act*, s 55(2) was repealed. Section 55(2) previously prevented a recording artist from obtaining a statutory licence to record a musical work if the adaptation 'debases' the original work. The Federal Court and the Full Federal Court on appeal considered the meaning of 'debase' in the *Carmina Burana* case.[561] The question in that case was whether four techno remixes of the chorus of *Carmina Burana* 'debased' the original work.

At first instance, Tamberlin J considered that "[t]he term 'debase' calls for a value judgment based on a significant lowering in integrity, value,

559 *Copyright Act 1968*(Cth) s 195AI.

560 *Copyright Act 1968*(Cth) s 195AJ (literary, dramatic, and musical works); s 195AK (artistic works – derogatory treatment includes public exhibition in a manner or place prejudicial to the author's honour or reputation); s 195AL (cinematograph films).

561 *Schott Musik International GmbH v Colossal Records of Australia* (1997) 75 FCR 321.

esteem or quality of the work."[562] His Honour began his analysis from the proposition that "the question is largely one of impression and the court must decide on the evidence placed before it whether the adaptation is so extensive, detrimental or inferior, as a whole that it amounts to debasement."[563] This question is one which is to be resolved broadly, because it is a question on which opinions may vary greatly.[564]

Justice Tamberlin considered the evidence, and concluded that the techno remixes did not debase the original, taking into account the lack of reduction in value of the original, the lack of "any widespread perception of reduction in quality, rank or dignity" of the original, the fact that sales and interest in the original may have increased due to the remix, and the fact that the remix "preserves substantial and essential elements of the original intact, communicates a powerful exuberance and rhythmic character quite consistent with the character of the work".[565]

On appeal, Hill J (in minority) rejected the suggestion that the question of debasement is concerned with the economic value of the original work (although economic harm is often an indicator of debasement), and the suggestion that the question should be resolved subjectively.[566] His Honour held that the question should be determined objectively, and the "test to be adopted is whether it is a consequence of the adaptation [...] that a reasonable person will be led to think less of the original work".[567] This approach "relieves the court from the danger of artistic censorship or, of even more concern, from being an arbiter of taste."[568] The remix accordingly did not debase the original – His Honour concluded that

> A reasonable person, in my view, would distinguish the techno version from the original as different in style and approach, while recognising that the techno version in no way detracted from the

562 *Schott Musik International GmbH v Colossal Records of Australia* (1996) 71 FCR 37 at 44
563 Ibid.
564 Ibid 50.
565 Ibid 51.
566 *Schott Musik International GmbH v Colossal Records of Australia* (1997) 75 FCR 321 at 331-2.
567 Ibid 332.
568 Ibid 333.

> original. [569]

Justice Wilcox notes that while the approach of Hill J would make the court's job relatively easy, the definition of 'debase' requires consideration of the quality of the adaptation, whether the adaptation is so qualitatively inferior that it is a 'muck up' of the original. His Honour held that the qualitative analysis need not be technical – because the term 'debase' is a strong one, for it to be applicable, "the adaptation must be so lacking in integrity or quality that it can properly be said to have degraded the original work."[570] His Honour concludes that the requisite level of quality is quite low, noting that "[i]t is difficult to think an adaptation that has its own integrity could be so characterised, even if it is musically inferior and however radical or distasteful (to some) it may be."[571] Subject to these qualifications, Justice Wilcox agreed with the reasoning adopted by Tamberlin J.

Justice Lindgren also expressed the desirability of avoiding making an aesthetic judgment, but agreed with Wilcox J that there must be some "evaluative comparison of the original musical work and the allegedly infringing adaptation".[572] His Honour agreed with Wilcox J's formulation of the question as whether the "arrangement constituted a 'debasement' or 'degradation'" of the original work,[573] and considered that the question could also be phrased as whether the new arrangement was an "impermissible distortion, mutilation or other modification of the musical work."[574] His Honour emphasised Wilcox J's statement that "'debase' is a strong term which 'requires much more than an opinion, even an expert opinion, that the adaptation is musically inferior'".[575] Lindgren J concluded that the remixes did not debase the original, and noted that

> an arrangement will be less likely to be a debasement where, as here, it is an arrangement which 'makes available' the original musical work to the musical tastes of a different period of time or of a different subculture, or (as here) of both, and which thereby

569 Ibid.
570 Ibid 324.
571 Ibid.
572 Ibid 336.
573 Ibid 337.
574 Ibid.
575 Ibid.

acquires its own integrity.[576]

(B) Foreign moral rights authorities

International decisions will go a long way to informing Australian courts as to when a modification will be prejudicial to the author's honour or reputation. France, in particular, has a long history of evaluating the moral rights of authors. I will consider some of the more notable cases:

- In the French 1962 *Buffet v Fersing*[577] case, Bernard Buffet had painted six panels of a refrigerator, and signed only one panel. Fersing bought the refrigerator at a charity auction and resold the panels individually for a profit. Buffet was able to recover damages for infringement of his moral right of integrity because Fersing had mutilated his expression, which was intended to stand as a whole.

- In *Huston v Societe de l'Exploitation de la Cinquieme Chaine*,[578] in 1991, the estate of John Huston successfully sought an injunction against a French television broadcaster to prevent the broadcast of a colourised version of Huston's black and white film 'Asphalt Jungle'.

- In 1992, a French court held that the director of a play had infringed Samuel Beckett's right of integrity when he staged 'Waiting for Godot' played by two female leads.[579]

- In *Snow v The Eaton Centre*,[580] a Canadian shopping centre had bought a sculpture of 60 flying geese from the plaintiff. When the shopping centre tied Christmas ribbons around the necks of the geese, Snow applied for an injunction. The Ontario High Court ordered that the ribbons be removed, holding that the treatment of the sculpture was prejudicial to Snow's honour or reputation.

576 Ibid 338.
577 *Buffet v Fersing* (1962) D Jur 570 (Fr)
578 (1991) 149 *Revue Internationale du Droit d'Auteur* 197 (Cour de cassation).
579 See *Lindon v La Compagnie Brut de Buton* (1992) 155 *Revue Internationale du Droit d'Auteur* 225.
580 *Snow v The Eaton Centre Limited* (1988) 70 CPR (2d) 105.

- In 1993, George Michael was granted a preliminary injunction preventing the release of a medley of a number of George Michael's songs. The Court of Appeal in London found that it was arguable that the remix record could constitute derogatory treatment of George Michael's works.[581]

- In 2003, the UK High Court found that there was no infringement of moral rights when rap lyrics were recorded over the top of a remix of an original song, at least without any expert evidence as to what the lyrics actually meant.[582]

- In 1988, a French court prevented the further performance of a play by Didier Wolf, which told the story of the cartoon character Tintin's encounter with his alcoholic and jealous father after the death of Hergé (the author of the Tintin comic books).[583] Both the first instance and appellate courts held that the depiction of Tintin in such a way violated Hergé's right of integrity. While the courts acknowledged that the play's plot was original, they did not accept that it was excusable as the theatre company's own expression, or a tribute to Hergé.[584]

- In *Gilliam v ABC*,[585] Monty Python successfully obtained an interlocutory injunction against the US ABC when the ABC had cut 24 minutes from each of two 90 minute broadcasts, in order to make room for advertising and to remove offensive material. In addition to a claim of copyright infringement, the case also proceeded under the US *Lanham Act*, which prohibits misrepresenting the origin of products. The court held that "the truncated version at times omitted the climax of the skits to

581 *Morrison Leahy Music Limited and another v Lightbond Limited* [1993] E.M.L.R. 144.
582 *Confetti Records v Warner Music* [2003] EWCh 1274 (ch) [150]
583 *Mme vve Hergé v Didier Wolf* (1989) 142 RIDA 344 (Cour d'Appel de Paris); Cited in Stina Teilmann, "British and French Copyright: A Historical Study of Aesthetic Implications" <http://www.humaniora.sdu.dk/phd/dokumenter/filer/-0.doc>.
584 Stina Teilmann, "British and French Copyright: A Historical Study of Aesthetic Implications" <http://www.humaniora.sdu.dk/phd/dokumenter/filer/-0.doc>.
585 *Terry Gilliam v American Broadcasting Companies, Inc.* (1976) 538 F.2d 14.

> which appellants' rare brand of humor was leading and at other times deleted essential elements in the schematic development of a story line", and that the edited versions therefore "impaired the integrity of appellants' work and represented to the public as the product of appellants what was actually a mere caricature of their talents".[586] Judge Curfein, concurring, noted that the remedy under the *Lanham Act* was not a remedy for infringement of moral rights, but only prevented misrepresentation of origin – a proper disclaimer, noting that the broadcast had been edited and was not endorsed by Monty Python, or a contractual right to distort the broadcast, would remove the applicability of the remedy.[587]

These few authorities demonstrate a wide range of interpretations of the moral right of integrity. How far the Australian courts will stretch to protect works from derogatory treatment is unknown. There is some suggestion, however, that the test in Australia should not be purely subjective, as it largely is in France. Even though an author may feel deeply aggrieved by a particular treatment, it is not necessarily derogatory. When determining whether something is 'prejudicial to the author's honour or reputation', the author's subjective opinion may be relevant, but perhaps subservient to an objective determination of whether the treatment is actually harmful to the author's honour or reputation, amongst the general public, or perhaps his or her peers. If any assistance can be drawn from the *Carmina Burana* case, it may be to suggest that the question of integrity is to be determined by a combination of evaluative comparison of the original to the modified work, and an objective 'reasonable person' approach to the question of harm to the author's reputation.

Preferring an objective approach would seem to provide more certainty to users of copyright material, to the possible detriment of aggrieved authors.[588] The objective component could act as an important check on

586 Ibid 30.
587 Ibid 37.
588 Christopher Aide argues that romantic theory justifies the approach taken by the court in *Snow v Eaton Centre*, where the court indicated "that if the author of a work was not irrational, then the author's word on the matter was sufficient" (Christophe Aide, "A More Comprehensive Soul" (1990)

the ability of authors to prevent alteration of their work on vexatious grounds. On the other hand, it may marginalise the objections of authors who do not share majority views on what is harmful to their honour, meaning that they may be left without recourse when they feel that someone has mistreated their work. Some combination of both subjective and objective approaches would probably be the safest option in uncertainty. It should be noted, however, that if the objective view is preferred, sufficient warning that modifications made are not supported by the author may go a long way to indemnify the user.[589]

Ultimately, whether something is harmful to an author's honour or reputation will be a question of fact. Importantly, the moral right of integrity is subject to an overarching reasonableness qualification. It is not an infringement to subject a work to derogatory treatment if it can be shown that the treatment was reasonable in all the circumstances.[590] It is this consideration that may prove the most helpful for transformative users.

(ii) The 'reasonableness' defence

When determining whether a derogatory treatment of a work is reasonable in all the circumstances, I suggest that the courts should look to the theory that underpins the moral right of integrity. While there is strong theoretical support for protecting an author's expression from mutilation, the theory offers two distinct limitations. The first is that there is no basis for protection of integrity where the author has no personal connection to the work; that is, where the work is purely fungible in nature. The second is that while it is important to protect the rights of authors, that protection should not unduly prevent other authors from self-actualising through expression.

48(2) *University of Toronto Faculty of Law Review* 211, 226).

589 See the appellate decision in *Carmina Burana*, where Hill J noted that "[a] reasonable person, in my view, would distinguish the techno version from the original as different in style and approach, while recognising that the techno version in no way detracted from the original" (*Schott Musik International GmbH v Colossal Records of Australia* (1997) 75 FCR 321, 333).

590 *Copyright Act 1968*(Cth) s 195AS.

When a use will be considered reasonable, then, should consider both the nature of the work and the nature of the transformative use. The more fungible the original work, the less protection it should receive. Similarly, the more personal the transformative work, the more leeway it should receive. When we talk about whether a work is fungible, we do not simply mean commercial. Many artists create highly personal works for resale and profit. Many non-commercial copyright works are created without significant effort or emotional investment by the author.

The question is again one of degree, concerned with the extent to which the author has a personal connection to the work. It is not a question which can be answered by a simple test – whether a work is purely personal or purely fungible. Instead, it is a more subtle consideration of whether a derogatory use of copyright material is reasonable, in all the circumstances, including the nature of the relationship between the original work and the author, and the nature of the relationship between the transformative work and the transformative author.

These factors are all included in the legislation, which provides that the factors to be taken into account when determining reasonableness include, among others:[591]

- the nature of the work;
- the purpose for which the work is used;
- the manner in which the work is used;
- the context in which the work is used;
- whether the work was made in the course of the author's employment or under a contract for the performance by the author of services for another person.

In the *Gilliam* case, a commercial broadcaster made significant changes to a television programme, but there was no re-expression. The television programme is obviously the expression of Monty Python. Although the original programmes are admittedly commercial in nature, they are still the unique expression of a highly original troupe of

591 Ibid.

comedians. The shows are unique, and it would not be unreasonable to argue that the makers of the programmes felt a strong personal connection to the work. As for the nature of the use, the broadcast of the modified programmes was not a broadcast of the ABC's expression. They were presented as a broadcast of Monty Python's expression, and it would be difficult to argue that moral rights should not come into play here lest they hamper the ABC's ability to express itself. The use is purely fungible in character, and the changes purely business decisions. The changes are not transformative re-expression. Accordingly, if the programmes have been modified in a derogatory manner, the ABC should rightfully be prevented from airing them.

The same holds true for the *Huston* case. If the colourisation of Huston's black and white film is prejudicial to his honour or reputation, we must look at whether it was reasonable for the French television network to make and broadcast the colour version anyway. There will be many relevant factors here with regard to market practice and utility that are not directly relevant to transformative users. Fundamentally, Huston's film was a personal expression, and the French television station's use was purely commercial. These conclusions shift the balance of the reasonableness question in Huston's favour, and unless there are other factors which make the broadcast of a colourised version reasonable, the derogatory treatment should be restrained.

Geri Yonover considers the hypothetical case of *Da Vinci v Duchamp*, where a still-living Leonardo Da Vinci sues a contemporary Duchamp for infringement of his moral right of integrity over Duschamp's addition of a moustache and goatee to the Mona Lisa.[592] The author assumes that Da Vinci can show prejudice to honour or reputation, and turns to consider whether a fair use defence should apply. In Australia, we would have to consider whether the modifications were reasonable. The reasonableness test is not a disguise for a fair use exception, but it is accordance with the theory to conclude that transformative use can be a reasonable excuse for derogatory treatment.[593]

592 Geri Yonover, "Artistic Parody: The Precarious Balance: Moral Rights, Parody, and Fair Use" (1996) 14 *Cardozo Arts and Entertainment Law Journal* 79.

593 See Katherine Giles, "Mind the gap: parody and moral rights" (2005)

This case is different from the *Gilliam* and *Huston* cases. Those cases both concerned purely commercial modifications to personal works. Duchamp's L.H.O.O.Q., on the other hand, is his own re-expression of Da Vinci's Mona Lisa. Da Vinci's expression is clearly personal in nature. However, Duchamp's version is also personal. It was signed by Duchamp, and presented as Duchamp's interpretation or re-expression. No reasonable viewer would be under the impression that the moustachioed lady was Da Vinci's original creation. The use is transformative and personal in nature. The fact that Duchamp sold his painting to an enamored collector does not lessen the fact that it was *his* expression, not Da Vinci's, which was being sold. Just like a film is no less personal because it is profitable, a transformative painting does not become less personal because the author manages to sell it.

If considerations of both the nature of the original work and the nature of the transformative use are to be weighed equally, we are no closer to determining whether Duchamp's use was reasonable. Both works are personal in nature. However, the considerations are not necessarily equal in weight. The theory demands that, all things being equal, personal protection for authors should not interfere with the ability of future authors to self-actualise through creating their own expression. With this recognition, we should still examine other relevant factors, but we should approach those factors with a tendency towards allowing Duchamp's personal use.

To the extent that Duchamp's work is prejudicial to Da Vinci's honour or reputation, it should be allowable as a personal transformative re-use. Duchamp's modifications are reasonable because they create a new work from Da Vinci's original. It can not be likened to the unreasonable modification of artistic expression without re-expression.

When the television stations in *Gilliam* and *Hughes* broadcast the modified films, there was no doubt that what they were broadcasting purported to be the expression of the original authors. The modified Monty Python programmes were not billed as the ABC's re-interpretation of Python, but were designed to supersede the originals. Duchamp's

18(5) *Australian Intellectual Property Law Bulletin* 69, 72.

L.H.O.O.Q was not intended to supersede the Mona Lisa, but to be expressive in its own right.

There may be many other factors that are relevant in determining whether a use is reasonable. Questions of artistic practice, for example, may be relevant. When new creations draw from previous expression in order to make something new, there is often going to be some level of tension between the two works. Nevertheless, the new work can express something completely different without being 'unreasonable'. In *Carmina Burana*, when the Full Federal Court considered whether a remix had debased the original song, both Lindgren J and Wilcox J noted that a new work which acquires 'its own integrity' would be unlikely to 'debase' the original work it builds upon.[594]

Another consideration of reasonableness may rely on the genre of the transformative work. Parodies, for example, may be granted greater leeway for the valuable criticism or humour they provide to society. As we saw above, parody sometimes provides an exception to the economic rights because few copyright owners would be likely to license parodies of their works. The same reasoning may apply for the right of integrity. Parody, by its nature, will often treat the original work quite harshly. Accordingly, because we value parody as necessary criticism, it should be reasonable for parodies to treat works in a derogatory manner, to an extent.

Unfortunately, privileging parody under the moral right of integrity carries the same problems as in the economic rights. It necessitates drawing an aesthetic distinction between types of artistic practice which are parodies and those which aren't. For example, it is not clear that Duchamp's painting is a parody – it may be a parody or satire of society, but it doesn't actually criticise Da Vinci or the Mona Lisa itself, or any

594 *Schott Musik International GmbH v Colossal Records of Australia* (1997) 75 FCR 321, 324 per Wilcox J: "[i]t is difficult to think an adaptation that has its own integrity could be so characterised, even if it is musically inferior and however radical or distasteful (to some) it may be."; 338, per Lindgren J: "an arrangement will be less likely to be a debasement where, as here, it is an arrangement which 'makes available' the original musical work to the musical tastes of a different period of time or of a different subculture, or (as here) of both, and which thereby acquires its own integrity."

other identifiable work.[595] Again, if we are to privilege parodies above other uses, we should broaden the definition of parody to include weapon parody and satire, and remove the requirement that the parody criticise either the work or another work.

Parody should not, however, be privileged to the exclusion of the work of artists whose transformative use is not parody, but creative re-expression without criticism. For example, the playwright and theatre troupe who create their own story around the adventures of *Tintin* are not engaging in a parody of *Tintin*. Is it reasonable for them to treat Hergé's work in a derogatory manner? Both Hergé's work and the playwright's play could properly be viewed as personal in nature – both parties evidently feel a strong emotional connection to their work. The presumption at this stage is in favour of the playwright and the theatre troupe, on the basis that they are self-actualising through their re-expression.

I would argue that the *Tintin* case goes too far in protecting the sensibilities of the original author. It is important to remember that the moral right of integrity is not a substitution for the economic rights to prevent unauthorised reproductions. In France, the moral rights of authors have been described as "absolute and discretionary".[596] In Australia, however, the alleged infringer can rely on a statutory reasonableness defence. The question here is whether it was reasonable for the theatre troupe to explore the darker side of Hergé's characters in their own story. Like Duchamp and the Mona Lisa, this case is not an example of mutilation of the original author's expression, but rather of using that expression to create something new.

What is 'reasonable' must take into account artistic practice. This may again be a manifestation of the tension between romantic and postmodern notions of authorship.[597] If a transformative user has the

595 Ellen Gredley and Spyros Maniatis, 'Parody: A Fatal Attraction? Part 1: The Nature of Parody and its Treatment in Copyright" [1997] 7 *European Intellectual Property Review* 339, 340.

596 Elizabeth Adeney, "Of personalities and personae: A French victory for film producers and authors" (2005) 16 *Australian Intellectual Property Journal* 110, 118.

597 For an elucidation of the tension that postmodern artistic practices place upon romantic conceptions of authorship and copyright, see Kathy

right to use a work under the exclusive economic rights, but not under the integrity right, a strange situation arises where only 'nice' or 'safe' transformative uses could be made. A transformative user would not have the opportunity, as in *Tintin*, to explore an unsavoury aspect of the original work. If a person has the right to transform some existing expression, it would seem reasonable that they can make changes that reflect their own expression, even if those changes reflect negatively on the original work or author.

When determining what is 'reasonable' for the purposes of infringement of moral rights, courts should be guided by the principle that moral rights should not interfere with the ability of subsequent creators to self-actualise. I submit that personal transformative dealings with expression should presumptively be found reasonable, unless there are significant other factors which make the re-expression unreasonable. It seems straightforward to suggest that it is much more unreasonable to modify an author's work if it is still seen as that author's expression than if it is more properly seen as the work of another, later creator.

(iii) Moral protection from commodification

One of the principles that stems from personality theory of copyright is that it is morally unjustifiable to take a personal creation and exploit it commercially without the permission of the creator. Above, we have said that where a use of copyright material is non-substitutable for the original expression, it should not be found to form a substantial part of the original, and thus should not infringe the economic rights, regardless of whether it is commercial in nature or not.

In the recent *Fair Use Review*, NAVA expressed significant concern that relaxing the protection given to copyright material with regard to transformative reuse will increase the commodification of personal creation.[598] This is a valid concern. We do not want to encourage a situation where artists are commercially exploited by others using their

Bowrey, 'Copyright, the Paternity of Artistic Works, and the Challenge Posed by Postmodern Artists' (1994) 8 *Intellectual Property Journal* 286.

598 NAVA submission, 3.

work without permission, under the guise of transformative use.

Fundamentally, commodification means the process through which a personal work is turned into a fungible good to be used in a commercial context. It can occur through wholesale economic rip-off, where a work is taken, repackaged, and distributed, with only minor modification, but it can also happen in a more transformative fashion. Where, for example, a musical work is used without permission in the soundtrack for a commercial film, or an advertisement, it will have been commodified. Similarly, where a character or setting from a personal work is used without permission to promote a position, product, or service, then it may also have been commodified.

In the realm of literature and art, the protection from commodification can be seen, to some extent, in the moral right of disclosure. In some European jurisdictions, an author has the inalienable right to decide when a work is finished, and when it can be displayed. In the *Whistler* case, James McNeil Whistler was commissioned to paint a portrait, and exhibited the portrait before delivery.[599] After exhibition, Whistler raised the commission price for the painting, and the commissioner refused to pay. Whistler painted over the face of the subject and refused to deliver the painting. The French Cour de Cassation held that Whistler was entitled not to deliver the work, but was liable to pay damages for breach of contract.

In *L'Affaire Roualt*, Roualt had agreed to transfer all his work to an art dealer. The art dealer had possession of over 800 of Roualt's unifinished paintings, and Roualt would finish them over time. When the art dealer died, the Paris Court of Appeal refused to give his heirs proper title over the paintings, holding that:

> Whereas, one who negotiates with an artist for an uncompleted work which the author retains in his possession, reserving the right to finish it, contracts for future goods whose ownership can be only transferred by delivery without reservation after completion, and is not like the buyer who purchases an artistic production in any state which the painter intends definitively to part with even though it is

599 1900 D.P.I. 497 (Cour de cassation, 14 April 1900).

> in the form of a sketch; Therefore, until final delivery the painter remains master of his work, and may perfect it, modify it, or even leave it unfinished if he loses all hope of making it worthy of himself; This inalienable right, an attribute of the artist's moral right, persists notwithstanding any agreement to the contrary; and the breach of any such agreement exposes the author who changes his mind only to damages.[600]

These two cases illustrate situations in which specific performance on a contract will not be granted against an author for unfinished work. The author can still be liable for damages, but cannot be forced to deliver a creation to a commercial relation against his or her will.

In *Carco v Camoin*,[601] Carco had put several paintings up for auction which had been found after Camoin had thrown them away. Camoin objected, and the Paris Court of Appeal held that only the artist could decide if and when work was ready for exhibition. Even though Carco had good title to the paintings, to exhibit them in public against Camoin's will would be an infringement of the right of disclosure.

In France, only an author has the right to determine when his or her work is ready to be released to the public. The right of disclosure is a personal right that trumps the commercial interests of other parties. Effectively, they prevent the unauthorised commodification of a work unless the author is ready. They do not, however, have any effect once the work has already been published or delivered.

There is no equivalent to the right of disclosure in Australian copyright law. The theme, however, of protection against commodification of work, is also reflected in the economic rights granted by copyright law. The first owner of copyright (generally, but not always, the author), has the right to determine how others may deal with the work, and, importantly, when others may publish or communicate the work.

In the case of direct repackaging and redistribution of personal works,

600 Neil Netanel, "Alienability Restrictions and the Enhancement of Author Autonomy in United States and Continental Copyright Law" (1994) 12 *Cardozo Arts and Entertainment Law* Journal 1, 28, n 137, citing Judgment of March 19, 1947 (*L'Affaire Roualt*), Cour d'appel, 1949 D.P. II 20 (Fr).

601 *Carco v Camoin* (1931), D.P. II 88 (Cour d'appell, Paris).

copyright law should already restrain the commodification of work. Direct commercial exploitation will be seen to be a substantial use of the material, and unless a fair dealing exception applies, it will constitute copyright infringement.

In the case of transformative commodification, the question becomes more difficult. It will sometimes be difficult to determine whether a particular transformative use is impermissible commodification, or whether it should be treated as allowable re-expression. When a personal work is taken as an input to a purely fungible work without the original author's permission, there is generally a good indication that the original author's work has been unreasonably commodified. On the other hand, where it has been used as the basis for personal creative re-expression by another author, then it has not been commodified so much as it has been transformed into a new expression.

(A) Extending the moral right of integrity to protect against commodification

To this point, we have considered the right of integrity as far as it provides protection for modification to the work itself. The right against commodification is less concerned with changes to an author's work than the context in which the work is used. If the right of integrity can incorporate not only considerations of intrinsic harm to the work, but also harm caused by the way in which the work is used, then it may adequately protect personal works from commodification. The courts have not yet confirmed the extent to which the moral right of integrity is applicable to the context in which a work is used.

The definition of 'derogatory treatment' in the moral right of integrity is defined to include not only intrinsic modifications to the author's work, but also "the doing of anything else in relation to the work that is prejudicial to the author's honour or reputation."[602] The explanatory memoranda for the bill states that in each case, this extra limb is "intended to address those instances where a work is used in an inappropriate context and prejudices the author's honour or

602 *Copyright Act 1968* (Cth) ss 195AJ(b) (literary, dramatic, and musical works), 195AK(c) (artistic works), 195AL(b) (cinematograph films).

reputation."[603]

Recognising a certain level of protection against commodification in the right of integrity has certain advantages over recognising the right of disclosure. The most notable is that while the right of disclosure only applies to the first release of a work, the right of integrity can act to prevent continuing unauthorised commodification. For example, in 1953, a French court prohibited the use of the soviet composer Dmitri Shostakovich's score in a US anti-soviet film, holding that it was an infringement of the author's right of integrity.[604] Similarly, in Italy in 1987, the right of integrity was successfully used by a musician who was known for his environmentalism to prevent the sale of his music with environmentally harmful detergent.[605]

More recently, in 2004 the Paris Court of Appeal was asked to consider whether the use of the character 'Leeloo' from Luc Besson's film *The Fifth Element* in a massive advertising campaign for Vodafone was an infringement of the moral right of integrity.[606] The Court held that Vodafone's use was a distortion of the central character of Luc Besson's film – Adeney notes that "[t]he character had been denatured *in its spirit* by its use in the commercial environment of Vodafone Live advertising."[607] Adeney notes further that

> [t]he court further took into account the fact that, prior to the publicity campaign, *The Fifth Element* had not been subject to any derivative exploitation and none of the characters had been the object of any commercialisation for publicity purposes. It considered

603 Explanatory Memorandum, Copyright Amendment (Moral Rights) Bill 1999 (Cth), [43]-[45].

604 *Soc le Chant de Monde v Twentieth Century Fox* 1 *Gazette du Palais* 191 (13 Jan 1953); The composer's claim was rejected in the US: *Shostakovich v 20th Century-Fox* (1949) 87 N.Y.S.2d 430.

605 Henry Hansmann and Marina Santilli "Authors' and Artists' Moral Rights: A Comparative Legal and Economic Analysis' (1997) 26 *Journal of Legal Studies* 95, 114, citing Pretore of Rome, November 15, 1986, Diritto di Autore 155 (1987).

606 *Sté Gaumont and Luc Besson v Sté Publicis Conseil and Sté Française du Radiotéléphone* (Cour d'Appel de Paris, 4ème ch, 8 septembre 2004); discussed in Elizabeth Adeney, "Of personalities and personae: A French victory for film producers and authors" (2005) 16 *Australian Intellectual Property Journal* 110.

607 Elizabeth Adeney, "Of personalities and personae: A French victory for film producers and authors" (2005) 16 *Australian Intellectual Property Journal* 110, 118 (emphasis in original).

> that the scale of the two campaigns had trivialised ("banalisé") the character of Leeloo".[608]

Adeney points to two more examples of French cases where moral rights have been infringed through the unauthorised use of characters in advertisements. The first is the use of the mime character of Bip, created by Marcel Marceau,[609] and the second is the use of Tarzan, Jane and Chita.[610] The first of these received substantial damages, but only nominal damages were awarded for the use of the Tarzan characters, due to their frequent authorised exploitation.[611]

In *Carmina Burana*, the primary judge considered whether the use of a musical work "in advertisements for a range of products including Nescafé, a Michael Jackson concert, an Arnold Schwarzenegger film and an advertisement for Sea World" could be said to 'debase' the musical work.[612] Tamberlin J did not accept this submission, holding that the case "should not be approached [...] on the premise that the work has been diminished by association with these advertisements, films and adaptations".[613] His Honour noted that

> [t]he fact that on a future hearing of the work a listener is plagued with visions of Nescafé coffee beans, Arnold Schwarzenegger or Michael Jackson does not necessarily mean that the work is to be regarded as already diminished or debased.[614]

In the Full Federal Court on appeal, Hill J (in the minority) considered that an adaptation of a song may debase the original if it "brings into the original associations which to a reasonable person would be objectionable". The majority of the Federal Court rejected the proposition that 'debase' was to be determined with reference to an objective reasonable person test, but Hill J's obiter here is indicative that

608 Ibid 199.
609 Cour d'appel, Versailles, 9 July 1991.
610 Tribunal de Grande Instance, Paris, 21 January 1977: (1977) 92 *Revue Internationale du Droit d'Auteur* 169.
611 Elizabeth Adeney, "Of personalities and personae: A French victory for film producers and authors" (2005) 16 *Australian Intellectual Property Journal* 110, 118.
612 *Schott Musik International GmbH v Colossal Records of Australia* (1996) 71 FCR 37, 50
613 Ibid.
614 Ibid.

there will be situations where a transformative use can be said to 'debase' the original work through the context in which it is used. Justice Hill gives two examples:

> a rearrangement of a work to incorporate within it notes associating the work with say a terrorist or racist body would constitute a debasement of the original. Perhaps a parody might bring about the result that one could not recall the original without the parody coming to mind in such a way as to diminish the value of the original

The example of parody as debasing, while interesting in that it may show a tendency to restrict parodies,[615] is not relevant here. The suggestion that association with a terrorist or racist body will debase the work, however, may provide some support for the consideration of context in the moral right of integrity. It would seem reasonable to suggest that incorporation of material in support of an organisation or principle which is repugnant to a large sector of society would prejudice the author's honour or reputation. Protection from commodification, however, requires that we go further, and consider whether associating an author's work with advertisements or products which are not objectionable on their own could give rise to the moral right of integrity.

In the case of commercial transformative uses, the harm to the author is not in the use itself, but occurs when the use promotes a position that interferes with the integrity of the work. When this happens, the author may feel disgusted that their work, and consequently, their self, has been attacked by commercial interests and changed into something repulsive. We have seen that derogatory uses of personal information should be restrained unless doing so would prevent another person from self-actualising through creation. Because purely commercial use has little relevance for self-actualisation, then the theory demands that respect be paid to the integrity of the author's work.

It would not be unreasonable to say that commodification in the form of taking an author's work and associating it, without permission, with an advertisement, or to otherwise promote a view or position, will generally

615 See Robert Burrell and Allison Coleman, *Copyright Exceptions: The Digital Impact* (2005) pp 263-4.

be prejudicial to the author's honour or reputation. Using the popularity or value of a work to advertise implies some connection between the author and the position, product, or service being advertised. This association of the author with a view that he or she does not hold can be damaging to the author both personally and within the eyes of the community. An author would quite reasonably feel like their work has been violated if it is used to promote a position that is anathema to them.

Adeney argues that it would be difficult in Australia to establish that the use of a character or expression in an advertisement is prejudicial to the author's reputation, because the incidence of cross merchandising is so high that the public would not think less of the author for allowing his or her works to be used in such a way.[616] If this is the case, only truly repugnant advertisements are likely to infringe on the author's moral rights. Adeney notes, however, that a wider range of uses would be actionable if the term 'honour' is read separately from 'reputation' to mean "something in the nature of artistic dignity".[617] In this case, the use of works or characters in advertisements will be more likely to prejudice honour or reputation, and can thus be prevented by the author.

As the French authorities show, it seems reasonable to suggest that the association of the work of an author with a commercial context, where the work has typically otherwise been free from commercial exploitation, may be prejudicial to the author's honour. Importantly, however, in Australia, the defendant can raise a defence that his or her use was reasonable in the circumstances. This imports a safeguard into Australian law where, if the new user has the economic rights to use a work, the original author cannot object to all proposed uses of the work. In determining reasonableness, the courts should particularly have regard to the nature of the original work (was it personal or fungible?) and the nature of the use (was it used expressively, or merely for commercial gain?).

616 Elizabeth Adeney, "Of personalities and personae: A French victory for film producers and authors" (2005) 16 *Australian Intellectual Property Journal* 110, 120.
617 Ibid.

The right of integrity should not be extended too far. The harm we are trying to prevent is the harm that occurs when an author's work is used to promote a message that the author does not agree with. It is not the harm of reproduction and publication, which is adequately dealt with by the economic rights. For example, the use of a song in a film soundtrack will not necessarily be derogatory to the author of the song. The author may have a claim when the use of the song in the film promotes a particular position which is offensive to the author (and the public), but not where it is otherwise used for its expressive qualities. The moral right of integrity cannot be used as a substitute for the exclusive rights of reproduction and communication. Further, the reasonableness defence should apply to allow transformative users to express themselves using the work, but not to protect pure commercial exploitations.

(iv) 'substantial part' and the moral right of integrity

Infringement of the moral right of integrity is dependent on either actual derogatory treatment, or reproduction or communication of the work that has been derogatorily treated, or a substantial part of that work.[618] Further, moral rights "apply in relation to a whole or a substantial part of the work",[619] so the distortion of a smaller piece of a work is potentially an infringement of integrity of the whole work, and the integrity of the smaller piece as a substantial part of the original.[620]

If a transformative use is not a reproduction or communication of a substantial part of the original work, then that use cannot infringe the moral right of integrity in the work. Accordingly, if we restrict the definition of 'substantial part' to accommodate transformative uses, we are at the same time limiting the application of the moral right of integrity to transformative uses. The economic rights and the moral rights protect different interests,[621] and should not be removed with the same blunt instrument.

618 *Copyright Act 1968*(Cth) ss 195AQ, s 14(1).
619 Ibid s 195AZH.
620 See Elizabeth Adeney, "Moral Rights and Substantiality: Some Questions of Integration" (2002) 13 *Australian Intellectual Property Journal* 5, 13.
621 Ibid 8.

The solution to this problem is to hold the moral rights to a different substantiality standard than the economic rights. Some reproductions of copyright material may be substantial when considering the moral right of integrity, but not when considering the economic rights of reproduction or communication. The question of substantiality is to be determined with reference to 'the interests protected by the rights'. It follows, then, that substantiality, with respect to infringement of the moral right of integrity, can be held to a different standard than that of the economic rights.

Elizabeth Adeney argues that, in order for substantiality to be considered in light of the interest protected, the 'honour or reputation' test should dominate the question of substantiality:[622]

> it would be appropriate if interference with the interests protected were to be the primary test of substantiality with regard to this right, subsuming questions of the quantity and quality of the material affected.

Accordingly, substantiality in this context "should be determined solely according to proven, and causally related, prejudice to the author's interests".[623] If a particular use of an author's work is prejudicial to his or her honour or reputation, then necessarily it has made use of a substantial part of that work. Conversely, this means that uses of a work which are transformative and personal in nature, which do not fall under the interest protected by moral rights, should accordingly not be found to be substantial.

This result is desirable. Use of a character in an advertisement context, for purely commercial reasons, as in the *Gaumont* case, is much more likely to be substantial than the use of a character in an expressive way, like the *Tintin* case. A proper consideration of the interests protected by moral rights provides a means to identify which uses of works are personal and transformative and should be allowed as such.

622 Ibid.
623 Elizabeth Adeney, "Moral Rights and Substantiality: Some Questions of Integration" (2002) 13 *Australian Intellectual Property Journal* 5, 14.

(c) The right of withdrawal

The final moral right recognised by some jurisdictions is the right of withdrawal. When an author no longer wishes to be associated with a work, for example because it no longer reflects her position or because she no longer likes the expression, then she can 'withdraw' the work from circulation. Hansmann and Santilli note that the right of withdrawal is nearly 'an empty right', because it only applies to literary works, is rarely exercised, and it does not give an author the right to repossess copies of a work, but only to recover the copyright.[624]

The problems with this right for transformative users are immediately obvious. If a work is used legitimately, but subsequently withdrawn, the transformative user will have to expend significant resources to remove the now-infringing copy of the work. It is therefore not unreasonable that this right is not recognised in Australian law or the international conventions.

A remedy that may approximate the right of withdrawal without prejudicing existing works is a modified right of attribution. If the author has the right to specify that attribution should not be associated with a work, the policy behind the right of withdrawal may be adequately satisfied. This type of negative-attribution sometimes happens in films; where the director of a film no longer wishes to be associated with the film (or a remake of the film), usually because the producers of the film have made extensive changes, then the film can be released under a pseudonym.[625]

If an author has clearly expressed a wish not to be credited on uses of a work, it may not be unreasonable to require future users of that work to respect his or her wish. Of course, existing copies of the work should not be recalled, and there may be some difficulty enforcing such a requirement on the Internet, where many copies of the work may already exist and actual withdrawal is practically impossible. If a user

624 Henry Hansmann and Marina Santilli, "Authors' and Artists' Moral Rights: A Comparative Legal and Economic Analysis" 26 *The Journal of Legal Studies* 95, 139.

625 See "Alan Smithee", *Wikipedia*, http://en.wikipedia.org/wiki/Alan_Smithee; see also Jeremy Braddock and Stephen Hock (eds), *Directed by Allen Smithee* (2001).

has notice, however, that attribution should not be given, then any future uses should not be attributed.

If a right against attribution is recognised, there should be an exception where attribution is reasonable, for example in criticism of the author or the work. The right of withdrawal is not a right against criticism or review.

5. Constitutional limits

(a) Section 51(xviii)

Unlike the United States, Australia does not have a purposive copyright power.[626] Section 51 (xviii) of the Commonwealth Constitution gives the Commonwealth Parliament the power to make laws with respect to copyright, for the peace, order, and good government of the Commonwealth.[627] This power is not unlimited. Justice Kirby in *Stevens v Sony*[628] recently noted that

> To the extent that attempts are made to push the provisions of Australian copyright legislation beyond the legitimate purposes traditional to copyright protection at law, the Parliament risks losing its nexus to the constitutional source of power. That source postulates a balance of interests such as have traditionally been observed by copyright statutes, including the Copyright Act.[629]

It is possible that if the balance of interests provided by the Copyright Act are too unbalanced, they may be unconstitutional. This argument, is, however, quite weak. In *Grain Pool of Western Australia v Commonwealth of Australia*, the High court held that the power should

626 In the United States, the power of Congress to make laws with respect to copyright are granted, and limited, by Article I (8) of the US Constitution, which provides that Congress has the power to "promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries".

627 *Commonwealth of Australia Constitution Act* (1901) s 51 (xviii).

628 *Stevens v Kabushiki Kaisha Sony Computer Entertainment* (2005) 221 ALR 448.

629 Ibid 498.

be construed "with all the generality which the words used admit".[630] There is little doubt that Parliament has the power to determine the boundaries of transformative use within copyright law, extending even to a complete prohibition on use without licence.[631] As long as there is a connection with the copyright power, the law will be valid "unless the connection is [...] so insubstantial, tenuous or distant that it cannot sensibly be described as a law with respect to the head of power."[632] Once the power to enact is within Parliament's domain, "the justice and wisdom of the provisions which it makes in the exercise of its powers over the subject matter are matters entirely for the legislature and not for the judiciary."[633]

Even if a sufficient connection could not be found to the copyright power, Parliament can also rely on the external affairs power provided by s 51 (xxix) to enter into and ratify international copyright treaties.[634]

Copyright in transformative works is not likely to be held unconstitutional, but constitutional arguments may provide some assistance in reading the *Copyright Act*. For example, in *Stevens v Sony*, Kirby J seemed to prefer a narrow view of the term 'Technological Protection Measure' as defined in s 10(1), when the legislative history was not clear, at least partly on the basis that a narrow view accorded better protection to 'fundamental rights'.[635] One of the best constitutional

630 (2000) 202 CLR 479, 492.

631 See Kim Weatherall, "Copyright and the Constitution" (2005) <http://www.lawfont.com/2005/10/28/copyright-and-the-constitution/>

632 *Leask v Commonwealth of Australia* (1996) 187 CLR 579, 602, quoting McHugh J in *Re Dingjan; Ex parte Wagner* (1995) 183 CLR 323, 368-369 (internal quotation marks removed).

633 *Burton v Honan* (1952) 86 CLR 169, 179 per Dixon CJ; cited with approval in *Leask v Commonwealth of Australia* (1996) 187 CLR 579, 602; see also *Grain Pool of Western Australia v Commonwealth of Australia* (2000) 202 CLR 479, 492; see further *Herald and Weekly Times Ltd v Commonwealth* (1966) 115 CLR 418, 437 per Kitto J: "[T]he fact that the parliament has chosen to go to great lengths — even the fact, if it be so, that for many persons difficulties are created which are out of all proportion to the advantage gained — affords no ground of constitutional attack."

634 Brian Fitzgerald, "The Playstation Mod Chip: A Technological Guarantee of the Digital Consumer's Liberty or Copyright Menace/Circumvention Device?" (2005) 10 *Media and Arts Law Review* 85, 96.

635 *Stevens v Kabushiki Kaisha Sony Computer Entertainment* (2005) 221 ALR 448, 498; See further Kim Weatherall, "Copyright and the Constitution" (2005) <http://www.lawfont.com/2005/10/28/copyright-and-the-constitution/>; Brian Fitzgerald, "The Playstation Mod Chip: A Technological Guarantee of the Digital Consumer's Liberty or Copyright

arguments in favour of allowing unlicensed transformative uses of copyright material is free speech. A broad understanding of freedom of speech has the potential to provide greater impetus to an expansive reading of the term 'substantial part', allowing the consideration of the context of use of copyright material in determining infringement.

(b) Implied guarantee of free political speech

Again, unlike the US, Australia has no express guarantee of free speech. However, in a series of cases in the 1990s, the High Court established that there was a guarantee of freedom of political speech, implied into the constitution as a pre-requisite to the system of representative and responsible government.[636] Freedom of political communication is necessary to allow voters to make informed choices.[637] However, the freedom is not absolute, and extends only "to what is necessary for the effective operation of the system of representative and responsible government provided for in the Constitution".[638]

(i) An implied defence based on freedom of speech

It is possible that, in an appropriate case, a defence to copyright infringement could be implied for political speech. A court could, for example, prevent the Commonwealth from enforcing its copyright in a case where the exclusive rights are used to prevent dissemination of documents which cast significant doubts on the operation of democratic institutions in Australia.[639]

Menace/Circumvention Device?", (2005) 10 *Media and Arts Law Review* 85, 95.

636 *Nationwide News Pty Ltd v Wills* (1991) 177 CLR 1; *Australian Capital Television Pty Ltd v Commonwealth* (1992) 177 CLR 106; *Theophanous v Herald & Weekly Times Ltd* (1994) 182 CLR 104; *Langer v Commonwealth* (1996) 186 CLR 302; *Lange v Australian Broadcasting Corporation* (1997) 189 CLR 520.

637 *Lange v Australian Broadcasting Corporation* (1997) 189 CLR 520, 560: "[Sections] 7 and 24 and the related sections of the Constitution necessarily protect that freedom of communication between the people concerning political or government matters which enables the people to exercise a free and informed choice as electors."

638 Ibid 561.

639 See, for example, *Coleman v Power* (2004) 220 CLR 1, where the High Court held that the implied guarantee of political speech justified reading down the terms 'insulting words' under the *Vagrants Act (QLD)* to the effect that they did not apply to a protester who alleged that a police officer was corrupt, without further intention and likelihood to provoke

The limits of any implied defence would necessarily be quite strict. The court is unlikely to accept the argument put forward by US constitutional scholars that freedom of speech is important for democracy not just in its political components, but in enhancing a democratic culture.[640] Any implied defence would have to be strictly limited to obviously political subjects. Further, the defence would probably not apply where the action is not brought by the government, on the basis that the implied freedom is only freedom from government action.[641] Finally, it would not apply if the Court took the view that the restrictions granted by copyright were 'reasonably adapted' to protect the the interests of freedom of speech.[642]

If any such defence were implied, it would not be likely to extend to a broad protection for transformative works. In their submission to the Attorney-General's Fair Use Review, Simon Evans and Andrew Brookes from the Centre for Comparative Constitutional Studies noted that

> It seems particularly unlikely that the Court would expand the scope of the freedom of communication required by the Constitution to include a broad fair-use exception to copyright.[643]

Evans and Brookes suggest, however, that a legislative open-ended exception to copyright infringement would be in accordance with constitutional *policy*:

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retaliation: 33 (per McHugh J), 79 (per Gummow and Hayne JJ) 100 (per Kirby J), Gleeson CJ, Callinan and Heydon JJ dissenting.

640 see Jack Balkin, 'Digital Speech and Democratic Culture: A Theory of Freedom of Expression for the Information Society' (2004) 79 *New York University Law Review* 1; Niva Elkin-Koren, "Cyberlaw and Social Change: A Democratic Approach to Copyright Law in Cyberspace" (1996) *14 Cardozo Arts and Entertainment Law Journal* 215, 224; Neil Netanel, "Copyright and a Democratic Society" (1996) 106 *Yale Law Journal* 283, 296.

641 *Lange v Australian Broadcasting Corporation* (1997) 189 CLR 520; *McClure v Australian Electoral Commission* (1999) 163 ALR 734.

642 *Lange v Australian Broadcasting Corporation* (1997) 189 CLR 520; *Levy v The State of Victoria* (1997) 189 CLR 579.

643 Simon Evans and Andrew Brookes, Centre for Comparative Constitutional Studies, submission to the Attorney-General's Department *Fair Use and Other Copyright Exceptions*, <http://www.law.unimelb.edu.au/cccs/copyrightsubmission.pdf> at 08 December 2005.

> However, a broader statutory copyright exception has the potential to enhance the freedom to communicate on political matters without overly prejudicing the rights of copyright owners. The current Copyright Act already allows fair-use exceptions for the purposes of research or study, criticism or review, and the reporting of news. However, those exceptions still are capable of restraining publication of some material relevant to political discussion, or chilling publication of other such material because of uncertainty about their scope.[644]

This argument has much more weight than an implied defence. It provides support for a legislative fair use option, but, importantly, it also provides some support for an appropriate reading of the *Copyright Act* in accordance with policy and constitutional values.

(ii) Reading copyright law by the light of free speech

While the implied guarantee is unlikely to expressly change the balance of copyright law, it may help to select between competing interpretations of copyright legislation in a way that is consistent with "fundamental rights".[645] As we have seen, transformative speech is often critical to some extent of the original work, the original author, or society in general, and provides a way for individuals to participate in the meaning making process. The importance of transformative speech for democracy may allow the meaning of 'substantial part' with relation to the exclusive rights, or the meaning of 'reasonable' with respect to the moral right of integrity, to be interpreted in a way that encourages or excuses a transformative use.

Bowrey and Rimmer argue that this type of speculation is not particularly useful to a critique of the proper balance of copyright law. In discussing constitutional free speech objections to the US DMCA,[646] Bowrey and Rimmer conclude that the constitutional free speech arguments take the focus off important discussion of 'conventional

644 Ibid p 4.

645 *Stevens v Kabushiki Kaisha Sony Computer Entertainment* (2005) 221 ALR 448, 498; Brian Fitzgerald, "The Playstation Mod Chip: A Technological Guarantee of the Digital Consumer's Liberty or Copyright Menace/Circumvention Device?" (2005) 10 *Media and Arts Law Review* 85, 95.

646 *Digital Millennium Copyright Act 1998* (US).

copyright principles', such as "the idea/expression dichotomy, substantial part, limited terms and fair use":[647]

> An overemphasis on "free speech", where there are doubts about the character of the "speech", pitches a weak notion of "culture" against a strong, established but "vulnerable" notion of economy. Law can step in, in the service of the economy, to prevent "oppressive" and "unproductive" economic activity, but here "culture" runs interference in identifying the source of real economic oppression. [648]

Bowrey and Rimmer are correct in recognising that any argument to create a 'free speech' exception infringement will necessarily be weak, but I submit that free speech *values* can be used in the interpretation of those questions of 'the idea/expression dichotomy, substantial part, limited terms and fair use'. This thesis has attempted to demonstrate that copyright does not operate wholly within the economic sphere, and that it does have a very real effect on the ability of individuals to express themselves. The discussion in this thesis has shown that the various theories underpinning copyright law do not provide a very strong justification for exclusive rights over transformative uses of copyright expression. However, as I noted at the outset, this discussion rests upon one assumption, which is that transformative re-expression is beneficial for a democratic society.

Without this fundamental recognition, neither courts nor legislature are likely to have an incentive to critically examine the way that copyright applies to transformative use.[649] Freedom of speech is an important conceptual tool which can help provide validity to this assumption. If the courts are able to recognise the conflict between freedom of expression (a fundamental right) and copyright in transformative uses, the justification for copyright in those uses can be examined. Proceeding on the basis that the questions of 'substantial part' and 'reasonableness' are

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647 Kathy Bowrey and Matthew Rimmer, 'Rip, Mix, Burn: The Politics of Peer to Peer and Copyright Law' (2002) 7(8) *First Monday* <http://www.firstmonday.org/issues/issue7_8/bowrey/index.html> at 08 December 2005.

648 Ibid.

649 See Robert Burrell and Allison Coleman, *Copyright Exceptions: The Digital Impact* (2005) 266, 267 (arguing that the UK courts have not significantly attempted to protect users rights in copyright cases).

still open, and without clear legislative intent, policy considerations can be used in their interpretation. Understanding that the theory does not provide a clear case for the erasure of the fundamental rights of expression, and that democratic principles encourage transformative use, the balance of policy should be in favour of interpreting the statute as we have seen in this chapter.

6. Compulsory licensing

Another partial solution to the problem posed by transformative use would be to consider a compulsory statutory licence for transformative use.

There is currently a statutory licence contained in Division 6 of Part III of the *Copyright Act* for the recording of musical works. Importantly, the licence extends to lyrics accompanying the musical work, but not to the use of copyright sound recordings or other media.[650] Previously, s 55(2) provided a requirement that the recording artist not 'debase' the musical work, but this condition was removed with the introduction of moral rights into the Copyright Act.[651]

Because the existing statutory licence for recordings of musical works does not extend to other works or subject-matter, it is not very useful in safeguarding the interests of transformative users. If a new statutory licence were created to cover both commercial and personal transformative use of all copyright material, it may go a long way to easing the tension between owners and users of copyright.[652] The existence of a compulsory licence would allow diverse transformative works to be created without the express permission of the copyright owner, meaning that restrictions based on the content or message of the new expression would be ineffective. The licence would also allow for copyright owners to be remunerated for uses of their material, foreclosing the argument that permitting transformative uses removes the ability of artists to make a living.

650 *Copyright Act 1968* (Cth) s 59.
651 *Copyright Amendment (Moral Rights) Act 2000* (Cth)
652 See Steve Collins, 'Good Copy, Bad Copy' (2005) 8(3) *Media and Culture.*

There are important administrative problems raised by compulsory licensing. There are difficult questions about whether accounting should be based on the amount of information used, or its quality, or its substantiality and importance to the whole, or its substantiality within the new work, or any of a number of other factors. There is also the consideration that licensing costs can grow exponentially when a person wishes to build off existing (licensed) transformative works.

There are also privacy concerns. There is a risk that many personal users will ignore payment of royalties because the risk of getting caught is so low. If enforcement rates need to increase, they will probably be coupled with increases in surveillance (or dataveillance) to determine when copyright material has been used. Ideally for the administrator of the statutory licence, comprehensive Digital Rights Management (DRM) technologies will be in place to track each usage of a work, allowing maximum royalties to be extracted, at the expense of individual privacy.

The statutory licence must also grapple with the need to ensure that non-transformative uses of copyright material should not be permissible. For example, if a statutory licence is available for all uses of copyright material, the ability of copyright owners to license their material at a price which will adequately cover their investment is practically lost. There would be nothing to prevent a person from making an entirely substitutable copy of a work for a low statutory fee, and then releasing that copy to the public, bypassing the copyright owner's remuneration.

Even if a statutory licence is introduced, we still need clear boundaries for copyright law. There must be some level of certainty over which works are considered original and which are considered derivative. Users of copyright material must know which uses they need to remit royalties for.

If all these considerations are overcome, a statutory licence could provide much needed certainty for transformative users. However, although a compulsory licence would solve the permission aspect of transformative use, there remain problems of cost. A statutory licence is, in effect, a tax on cultural transformation.[653] Such a tax would have

653 See *Australian Tape Manufacturers Association Ltd v Commonwealth of*

chilling effects on the ability of non-economic creators to remix copyright material, as well as those who incorporate many copyright works in a larger whole.[654] The costs of obtaining licences in each of these scenarios may be prohibitive. Imposing costs on non-economic creators in particular is still not justifiable under the theory, and dictates that only commercial users and affluent self-funded non-commercial users have the privilege of using copyright expression to express themselves, even though the use of non-economic creators imposes very little costs on copyright owners.

Imposing a statutory licence is a second-best alternative. If, contrary to the theory discussed above, the legislature believes that transformative uses should be remunerated, a statutory licence could remove the barriers posed by transaction costs and the requirement to gain permission. However, if a statutory licence is imposed, it should only impose a fee on commercial transformative uses. To impose a licence fee on non-commercial uses would unreasonably stifle non-economic speech by either forcing it into a commercial context or restricting its exercise to the social elite.

7. Voluntary open access licensing

A final method of ensuring that transformative users have the ability to work with copyright material is to encourage voluntary open access licensing. With open access licences, each copyright owner can select the terms upon which each copyright work may be used by others without remuneration. In the free and open source software realm, the are a number of popular software licences which allow anyone to freely examine, modify, and redistribute software source code (the human-readable language of computer programmes). These licences are divided into two main groups, those that require derivative works to be licensed under the the same terms (copyleft licences), and those that do not.[655]

Australia (*Tape Manufacturers Case*) (1993) 176 CLR 480.

654 Naomi Abe Voegtli, "Rethinking Derivative Rights" (1997) 63 *Brooklyn Law Review* 1213, 1264.

655 See See Brian Fitzgerald and Nicolas Suzor, "Legal Issues for the Use of Free and Open Source Software in Government" (2005) 29(2) *Melbourne University Law Review* 412, 416-17.

Across other types of copyright works, the Creative Commons suite of licences are gaining popularity.[656] Creative Commons licences allow free redistribution of copyright material, on the condition that reasonable attribution is given to the owner or author. The Creative Commons licences have a set of optional restrictions, which the licensor can choose to suit his or her circumstances. The main optional restrictions are NonCommercial, which means that the copyright material may not be reproduced in a commercial environment; ShareAlike, which is a copyleft term that requires any modifications to the copyright work to be made available under an identical licence; and NoDerivatives, which prohibits the user from making any modifications to the copyright work.

Voluntary licences are excellent tools for opening access to information. However, the emphasis is not always on the ability of users to transform and build off the material. Free software licences emphasise the freedom to adapt the software, but also emphasise the freedom to distribute verbatim. Creative Commons licences generally allow for modification (but not always), but are also directed towards free redistribution. There are important arguments for increasing the free distribution of information, but these are not directly related to the question of transformative use with which we are concerned. Unfortunately, approximately a third of authors who utilise Creative Commons licences choose licences which do not allow any derivative works to be made, and nearly two thirds restrict commercial modifications.[657] This trend is incompatible with the principles we have discussed so far.

The Creative Commons Sampling range of licences do, however, provide a way for the copyright owner to allow transformative use of their material without allowing verbatim distribution. These licences conform more closely to the default rule we have argued for in this thesis. These licences are extremely valuable for transformative users, because they provide express permission in advance, removing licensing costs themselves and transaction costs associated with licence negotiation,

656 See *Creative Commons* <http://creativecommons.org>.

657 See "Licence Distribution", *Creative Commons* <http://creativecommons.org/weblog/entry/5293>. This chart is a rough guide only, but shows the general trends of respective popularity of the Creative Commons licences.

but also removing the necessity to seek permission and the possibility that permission will be refused. However, these licences are not currently in widespread use.

Creative Commons promotes author autonomy and control of copyright. It allows authors to manage their own copyrights to determine on what terms their works can be used by the general public. To the extent that Creative Commons promotes autonomy, it necessarily suffers from a certain flexibility of principles. While encouraging open access licensing generally, Creative Commons does not present a strong normative view that transformative use should be allowed specifically. The wide variety of potential licences means not only that a significant portion of users will select the more restrictive licences, but also that licence incompatibility becomes a larger problem. By promoting the individual licensing of copyright material, Creative Commons is to an extent upholding the view that authors have the ability to determine when subsequent authors can build off their works, with the result that many limitations can be placed on the ability of transformative users to engage with the source material. Niva Elkin-Koren summarises this argument aptly:

> When Creative Commons relies on property rights to advance its strategy, it reinforces the proprietary regime. Making copyright user-friendly is likely to bring more prevalence to property. This outcome, however, will not necessarily promote access to works. If the purpose of Creative Commons is to encourage sharing and collaboration in creative processes, it has to offer an alternative regime. Simply letting authors govern their own work may turn out to be self-defeating.[658]

This criticism seems valid, to the extent that Creative Commons is attempting to encourage an engaging participatory information commons. If Creative Commons were to truly encourage such a commons, it would have to sacrifice some author autonomy for greater philosophical certainty. Creative Commons could, for example, remove the optional NoDerivatives term from its available licences, in order to

658 Niva Elkin-Koren, "The Limits of Private Ordering in Facilitating a Creative Commons" (2005) 74 *Fordham Law Review* 375, 401-2.

reinforce a norm of sharing and transformation. Creative Commons could also encourage more users not to use the NonCommercial term, or at least allow some degree of commercial transformative uses (as opposed to mere commercial repackagings). As we have already seen, commercial use does not equate directly with fungible use, and a culture which encourages non-commercial sharing only may unduly prejudice transformative users who rely on income provided from their work.

Creative Commons is ideally situated to encourage a shift in the cultural norms away from personal property in copyright expression, and towards a culture of openness and sharing. As long as no solid ideology is put forward, licensors are likely to continue to use predominantly restrictive terms; the result is that while permission will not be necessary to transform those select works which are released under open licences, obtaining permission will still be necessary for a large proportion of works. Further, this may increase the temptation to ignore the needs of transformative users, because there is a certain pool of work from which they can draw – the risk is that the decision not to allow transformative uses becomes legitimised through the exercise of author autonomy.

The remaining problem with voluntary licences is simply then that they are voluntary. Many copyright owners will not choose to license their works under such a licence, and this will particularly be the case for high value works and works which the copyright owner does not want exposed to potential negative treatment. These types of voluntary licences should be encouraged as they reduce the transaction costs of negotiating copyright licences, and thereby reduce the amount of material which is never licensed. They can provide a valuable tool for creators who want to manage their copyright without the need to engage a lawyer, and provide excellent protection for creators who do not need to prevent verbatim distribution (or at least, non-commercial verbatim distribution) of their work (particularly non-economic creators, authors who have already been paid for their work, such as academic writers, and authors who expect to receive returns on value added services and gain popularity through widespread distribution). They do not and can not, however, completely solve the problem of transformative use of copyright material, simply by virtue of the fact

that they are voluntary in nature.

Chapter VI. Conclusion

1. Recommendations

Transformative use of copyright material is an important form of expression that should be encouraged. Such a position is beneficial to the autonomy of individuals and freedom of expression, but is also useful to provide a rich and diverse social discourse that is a necessary component of a democratic culture.

The economic utilitarian theory underpinning copyright law does not require an exclusive right to prevent transformative use. As far as copyright protects the incentives to create, limiting the right to control transformative uses does not reduce the incentives beyond a level which is socially beneficial. Further, the inherent limits in the economic utilitarian argument provide a basis to conclude that copyright owners should not be given exclusive control over transformative use of their expression, in order to avoid problems of allocative inefficiencies and underproduction of such expression.

Similarly, the two natural rights theories commonly used to justify copyright do not support an exclusive right over transformative use. The personality theory asserts that creators have a personal relationship with their creations which should be protected. It is clear, however, that this expression should not extend to limit the ability of future creators to self-actualise through the personal transformation of existing expression. The labour-desert theory, on the other hand, provides for rights in expression derived as an entitlement from the labour of the creator. For this theory is applicable to copyright, it must be construed in a narrow way to only grant rights over the expression created itself, and not to uses of the expression which do not prejudice the owner's enjoyment (or the value of the expression). This limitation stems from the two limiting provisos from Locke's theory, that 'enough and as good' should be left for future users, and that a labourer should not appropriate more than he or she can use.

Finally, social planning theory shows us that the desirability of encouraging diverse expression and increasing individual autonomy

necessitates a preference for allowing transformative uses where there is uncertainty. From this perspective, I make the following recommendations for change in Australian copyright jurisprudence.

(a) The definition of 'substantial part' in the economic rights

The definition of 'substantial part' in s 14(1) of the *Copyright Act* should be read with "reference to the interest protected by the copyright".[659] With regard to the economic rights, this necessitates consideration not only of the quantity and quality of material taken, but also the context in which it is used. If the material is quantitatively or qualitatively significant, but is not substitutable in the market for the original work, then it should not be considered to reproduce a substantial part of the original. In most cases, determining whether a re-expression is substitutable for the original should not take into account consideration of lost licensing potential in transformative uses.

(b) Fair dealing

If fair dealing is to be retained, the definition of criticism and review should be expanded to allow non-traditional forms of criticism. It should be recognised that many forms of transformative works provide some commentary on the original work, and as such, should be permissible under a wide conception of criticism and review. Additionally, both parody and satire should be brought within the scope of the exceptions. Parody and satire should either be recognised as providing criticism or review, or a new exception should be introduced. Importantly, there should be no distinction between parody of the work used and using a parody of the work to criticise another subject, whether that subject is another work or not.

(c) Fair use

If the definition of 'substantial part' is not modified to allow unlicensed transformative uses of copyright material, a fair use defence must be introduced to achieve the same ends. However, fair use should not be

659 *Nationwide News v CAL* (1996) 65 FCR 399, 418.

limited to the US approach of protecting parodies and not other transformative uses. Questions of substantiality should be dealt with in the same way as that considered under the definition of 'substantial part', above. Particularly, the primary test with respect to transformative material must be whether it is substitutable for the original. Other factors may be relevant, or may exist to provide a defence for other types of use of copyright material, but substitutability should be the primary question.

(d) Moral rights

The determination of whether a use of an original work is prejudicial to the author's honour or reputation should consider not only the changes made to the work, but the context in which the work is used. Consideration of whether changes to a work are derogatory should approach the question with a combination of objective and subjective tests. When evaluating the context of the work, the courts should recognise that using the work to promote a position, product, or service without the author's consent can be prejudicial to the author's honour or reputation.

When evaluating what is a 'substantial part' for the purposes of the moral right of integrity, the interests protected by the right, properly construed, are different to the interests protected by the economic rights. The interests include the right of the creator to be shielded from personal harm, but are limited in the sense that they can not protect creators who share no bond with their work, nor can they be used to prevent the personal expression of future creators. Evaluating substantiality 'with reference to the interest protected by the copyright' requires the court to consider, among other things, whether the original work is personal or fungible in nature, and whether the new work is personal or fungible. If substantiality is to be evaluated in this way, moral rights in purely fungible productions will rarely, if ever, be infringed, and personal transformative users will rarely infringe the moral rights of the authors they draw upon. Commercial users, on the other hand, must ensure that they do not prejudice the honour or reputation of an author whose work they make use of, and further, that they do not associate that work with commercial interests which have a

tendency to prejudice the author's honour or reputation.

(e) Constitutional limits

While an express constitutional limitation to copyright law is unlikely, constitutional principles should be considered when interpreting copyright legislation. When determining between competing interpretations of copyright law, Australian courts should prefer the interpretation that best promotes basic rights and democratic culture. The Australian Courts provide an important safeguard for the rights of all Australians, and both the rights of copyright owners and the rights of individuals to express themselves should be taken into account. Further, the benefits that transformative reuses of copyright material provide to a democratic society should provide impetus for the exclusion of transformative uses from the control of copyright owners.

(f) Compulsory licensing

Introducing a compulsory licence for transformative use of copyright material would likely be a very difficult administrative task. The costs of such a scheme include significant overheads, particularly accounting costs and enforcement costs. There are also important difficulties of determining when a license fee should be paid (for every use, a blanket tax, or a tax on goods such as recordable media?), and how the profits should be distributed (sampling distribution typically favours established producers).

If these problems can be overcome, compulsory licensing provides a solution for the problem of obtaining permission to engage in transformative use. However, permission is only half of the problem posed by granting exclusive rights over transformative uses. The other half remains that charging a fee for transformative use of expression implies either that only wealthy individuals are allowed to interact with their culture, or that transformative use must be market-based in order to cover its costs.

A compulsory licence is in effect a tax on transformative expression. Whether such a tax is justified depends on whether it is accepted that either (a) creators have a natural right to prevent others using their

material to express themselves; or (b) creators need an economic right to prevent transformative use in order to provide a necessary incentive to create. The discussion in this paper tends to show that neither of these propositions are correct. Accordingly, imposing significant economic costs on transformative use is not justifiable. A compulsory license is therefore not a substitute for real reform of exclusive rights in transformative uses.

(g) Voluntary licensing

Voluntary licensing, as a means of empowering authors to manage their rights, should be encouraged. Voluntary licensing is not, however, a substitute for real reform of the copyright system. To the extent that voluntary licensing systems promote the autonomy of authors in determining which uses may be made of their works, they lose some of their normative force and run the risk of stratifying the information commons. If voluntary licensing schemes are to be pursued, clear normative principles should be articulated, to encourage a change in the social norms which induce authors to seek the maximal protection of their works under current law. At the very least, a default term for any such scheme should include the right to use the licensed works in transformative ways.

2. Substantiality illustrated - which uses should be allowable?

The following table illustrates the situations in which theory dictates that uses of copyright material should be allowed or restricted. Significantly, highly transformative uses should be permissible under the economic rights, whether they are commercial in nature or not. However, commercial uses of personal material which is prejudicial to the honour or reputation of the original author, or which unreasonably commodifies the original work, should be disallowed under the moral right of integrity.

Nature of use	*Personal original work*	*Fungible original work*
Highly transformative, personal	Allow	Allow
Not transformative, personal[660]	Disallow	Disallow
Highly transformative, commercial	Disallow when prejudicial to integrity Disallow when use is a commodification of the original	Allow
Not transformative, commercial	Disallow	Disallow

(a) Examples

Nature of use	*Personal original work*	*Fungible original work*
Highly transformative, personal	Duchamp's L.H.O.O.Q.	Machinima
Not transformative, personal	Private copying	Private copying
Highly transformative, fungible	*Guamont* (Leeloo in a Vodafone advertisement)	*The Panel*
Not transformative, fungible	*ABC v Gilliam*	Classic piracy

This table lists a small number of examples that I have discussed in this thesis. The first examples are the appropriation artists represented by Marcel Duchamp. Duchamp's adding of a moustache and goatee to Da Vinci's Mona Lisa is a personal interpretation of a personal work. Although it reproduces a large part (qualitatively and quantitatively) of the original, it is transformative and is not substitutable for the original and does not prejudice the value of the original. Accordingly, it should be allowed without the permission of the copyright owner.

660 This paper does not consider non-transformative private uses of copyright material. There are valid arguments that these uses should also be excused.

The next example is machinima. Machinima artists create films from computer games, and run the risk of reproducing a substantial part of the game as both a literary work and a film. Because these artists are creating works which are completely outside the scope of the intended market for computer games, they can not properly be regarded as being substantial reproductions of those games.

This thesis does not deal in depth with non-transformative uses, including private copying and classic piracy in the sense of large scale economic rip-offs. The next example, accordingly, is the use of personal works in a commercial transformative context. The uses are not substitutable, and thus should not infringe the economic rights. However, they are subject to the moral rights of the author. The moral right of integrity should properly be infringed when the personal work is brought into a commercial context which devalues or debases it, resulting in prejudice to the author's honour or reputation. The *Gaumont* case, where a highly original character from a science-fiction film is used to advertise a telephony service, is an example of such a prejudicial use. Courts applying this standard, however, must be careful to differentiate between purely fungible commercial uses, and uses which are personal in nature but are also commercialised. For example, a remix or mashup of a song or album, if released commercially, would still generally be a personal transformation of a personal use, and should be permissible. The right against commodification is not a right against commercial 'free-riding'. Only when that mashup album is used as a purely fungible good, for example if it were used in an advertisement, should the use be restrained.

The next example is the fungible transformation of purely fungible expression in *The Panel*. These uses should be permissible as long as they are not substitutable for the original expression. It is important to note that the mere fact that the two parties involved are competitors should not impact on a finding of substantiality. Again, the fact that one party can be described as 'free-riding' off the work of another is irrelevant if the uses are not substitutable.

3. Conclusion

This thesis provides an exposition of the theory underlying copyright law with the intent to raise awareness of the limited ability of Australian law to deal with transformative uses of copyright material. The recommendations presented here are not designed to be complete or all-encompassing, but to act as a guide to judicial, legislative, and academic interpretations in the future.

Copyright law is in a constant state of flux. There are many pressures from interested parties to modify the existing law, or the interpretation of existing law, to better suit their individual interests. It is difficult, in this context, to identify the direction in which the law should move. By looking at the theory upon which copyright law is based, I hope to provide a sound basis for expanding copyright doctrine to accommodate transformative uses. The preceding discussion shows that transformative use can be encouraged without prejudicing the right of authors to make a living. Allowing transformative uses is not about limiting the rights of authors, but instead, about freeing authors to use existing expression in creating their own works.

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