1-1-1994

Not as Clean as They Wanna Be: Intermediate Copying in Campbell v. Acuff-Rose

William S. Coats

David H. Kramer

Follow this and additional works at: https://repository.uchastings.edu/hastings_comm_ent_law_journal

Part of the Communications Law Commons, Entertainment, Arts, and Sports Law Commons, and the Intellectual Property Law Commons

Recommended Citation

Available at: https://repository.uchastings.edu/hastings_comm_ent_law_journal/vol16/iss4/2

This Article is brought to you for free and open access by the Law Journals at UC Hastings Scholarship Repository. It has been accepted for inclusion in Hastings Communications and Entertainment Law Journal by an authorized editor of UC Hastings Scholarship Repository. For more information, please contact wangangela@uchastings.edu.
Not as Clean as They Wanna Be: Intermediate Copying in *Campbell v. Acuff-Rose*

by

**William S. Coats and David H. Kramer***

**Table of Contents**

I. Introduction ............................................ 608
II. Copyright Law's Approach to Intermediate Copying ... 612
III. Case Law on Intermediate Copying .................... 614
IV. Digitizing and Infringement ............................ 617
V. Finding a Remedy for Intermediate Copying ........... 618
VI. The Paradox ............................................. 622
VII. Conclusion .............................................. 625

* Mr. Coats and Mr. Kramer are lawyers in the Palo Alto office of Brown & Bain, specializing in high-technology intellectual property cases.
I

Introduction

The flexible bounds of the fair use defense to copyright infringement have made for strange bedfellows. In the past few years both the Reverend Jerry Falwell\(^1\) and the rap group 2 Live Crew\(^2\) have sought protection under the doctrine which allows use of "copyrighted material in a reasonable manner without consent of the copyright owner."\(^3\) The United States Supreme Court's decision in 2 Live Crew's case, \textit{Campbell v. Acuff-Rose Music, Inc.},\(^4\) was its third on the question of fair use in the last ten years.\(^5\)

In \textit{Campbell}, the Court ruled that the Sixth Circuit Court of Appeals had misapplied the fair use doctrine in holding that 2 Live Crew's rap parody "Pretty Woman" was an infringement of Roy Orbison's copyrighted hit song "Oh Pretty Woman."\(^6\) The Court unanimously held that the Sixth Circuit improperly viewed the parody's commercial nature as rendering it a presumptively unfair use.\(^7\) Such a presumption, the Court stated, is only applicable where a commercial use amounts to verbatim copying, involving no transformation of the original work.\(^8\)

In producing its parody, 2 Live Crew apparently "digitally sampled" the Orbison song and incorporated a portion of the original into its own less pristine version.\(^9\) After releasing the rap song on its al-

---

1. See Hustler Magazine, Inc. v. Moral Majority, Inc., 796 F.2d 1148 (9th Cir. 1986) (fair use where defendant reproduced and distributed unflattering satire of himself for purpose of soliciting financial support for legal action against author).
3. Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc., 964 F.2d 965, 969 (9th Cir. 1992) (quoting Narell v. Freeman, 872 F.2d 907, 913 (9th Cir. 1989)).
6. Campbell, 114 S. Ct. at 1171-76.
7. Id. at 1177.
8. Id. at 1173.
9. The question of sampling was not raised as an independent issue at trial or on appeal; rather, the issues focused on whether the ultimate production, 2 Live Crew's alleged parody, was a fair use of copyrighted material. The Sixth Circuit did note, however, that Acuff-Rose's musicologist "stated that the [recognizable bass] riff was probably sampled from the original, that is, simply recorded verbatim and then mixed with 2 Live Crew's additions. Acuff-Rose Music, Inc. v. Campbell, 972 F.2d 1429, 1438 (6th Cir. 1992), rev'g 754 F. Supp. 1150 (M.D. Tenn 1991), rev'rd, 114 S. Ct. 1164 (1994). The trial court noted that Luther Campbell, a member of 2 Live Crew, admitted he "purposefully copied selected music and lyrics" from the Orbison song. Acuff-Rose Music, Inc. v. Campbell, 754 F. Supp. 1150, 1155 (M.D. Tenn. 1991), rev'rd, 972 F.2d 1429 (6th Cir. 1992), rev'rd, 114 S. Ct. 1164 (1994).
bum As Clean As They Wanna Be, 2 Live Crew belatedly contacted the copyright holder of "Oh Pretty Woman," Acuff-Rose Music, offering a statutory license fee for its use of the work. Acuff-Rose refused to accept the fee and sued, claiming 2 Live Crew's unauthorized use infringed its copyright. In defense, 2 Live Crew argued that while it had sought a license, in fact no license was necessary because its work was a fair use parody of the original song.

Unnoticed amidst the attention the case's fair use issue has received is that Campbell was the Supreme Court's first glimpse at digital technology. The ease with which 2 Live Crew was able to exploit an existing work raises interesting questions about the impact the new technology will have on copyright protection. The irony of the case is that 2 Live Crew's defense of parody may not insulate it from liability. Although ignored by the parties, if 2 Live Crew digitized and sampled "Oh Pretty Woman," it undoubtedly created one or more intermediate copies of the copyrighted work for which 2 Live Crew could be independently liable.

Digital technology allows an individual to transform the detailed information and expression contained within any work, whether visual or musical, into a sequence of bits (binary values of either 0 or 1) which can be stored as data in a computer. The process allows anyone with the right equipment to create a perfect "master" of an origi-
nal copyrighted work in digital form, from which exact duplicates of the original can be recreated.\textsuperscript{16}

Not only does digitization allow creation of perfect copies, it also permits extensive manipulation of the data sequence of an original work to create an entirely new work. Indeed, with sufficiently advanced software programs, such manipulations are merely a matter of pushing the right buttons.\textsuperscript{17} Digital manipulations may utilize much of the creative expression in a copyrighted work and yet be only faintly reminiscent of the original. For example, if a copyrighted Mondrian painting were digitized, an engineer could rearrange the painting's precise color combinations and shapes to form a work which while evocative of Mondrian, would nevertheless appear dissimilar from any of his work. The resulting manipulation would not merely be Mondrianesque, but rather would utilize the artist's own creative expression embodied in his copyrighted original.\textsuperscript{18}

The status of such manipulations under copyright law is unclear. While the ultimate works are in some sense "derived" from the origi-
nal, unless they are substantially similar to a copyrighted work, they are not infringing derivations. By sufficiently altering a digitized "intermediate copy," an individual may capture the essence of an artist's work, yet avoid infringing that artist's copyright. In such cases, the author of the original work is not compensated for its use, even though much of his creative effort may be reflected in the digital manipulation. Moreover, digital manipulations could damage the market for the artist's own work by making inexpensive, stylistically similar works available. As authors are deprived of economic rewards for their efforts, incentives for the creation of original works will decline.


20. See 17 U.S.C. § 106(2) (1993); Litchfield v. Spielberg, 736 F.2d 1352, 1357 (9th Cir. 1984) (merely basing a new work on a copyrighted original is not an infringement; rather, the new work must be substantially similar to the prior work); accord Kepner-Tregoe, Inc. v. Leadership Software, Inc., 12 F.3d 527 (5th Cir. 1994) (injunction overbroad to the extent it prohibits defendant from modifying infringing work to eliminate substantially similar portions; modification which is not substantially similar does not infringe). See also Reyher v. Children's Television Workshop, 533 F.2d 87, 90 (2d Cir.) (work not derivative unless substantially copied from a prior work), cert. denied, 429 U.S. 980 (1976); Harry Fox Agency, Inc. v. Mills Music, Inc., 543 F. Supp. 844, 849 (S.D.N.Y. 1982) (work is derivative "if it is substantially derived from an underlying work and would . . . constitute an infringement . . . but for the permission granted . . . for its use").

21. Other intellectual property protection may be available to authors whose work is manipulated in this fashion. For example, an author might bring a claim for trade dress infringement under 15 U.S.C. § 1125(a) (Supp. IV 1992). Until 1992, to prove trade dress infringement, an artist had to show that the visual appearance of his work was non-functional, that it had acquired secondary meaning, and that the defendant's use of the same or similar artistic style was likely to cause consumer confusion. Fuddruckers, Inc. v. Doc's B.R. Other, Inc., 826 F.2d 837, 843 (9th Cir. 1987). A recent Supreme Court decision expanded the protections of § 1125(a) to eliminate the "secondary meaning" requirement; protection is now afforded to trade dress which is inherently distinctive whether or not it has acquired secondary meaning. Two Pesos, Inc. v. Taco Cabana, Int'l, Inc., 112 S. Ct. 2753, 2759 (1992).

Seizing upon the Two Pesos decision, an artist's licensee brought an action claiming that its posters of the artist's work embodied inherently distinctive trade dress and were infringed by posters which intentionally imitated the artist's style. Romm Art Creations Ltd. v. Simcha Int'l, Inc., 786 F. Supp. 1126, 1130-31 (E.D.N.Y. 1992). Although the defendant's posters were sufficiently different so as to avoid copyright infringement, the court issued a preliminary injunction preventing the defendant from using the imitative style. Id. at 1140-41.

If followed, this novel decision risks supplanting copyright law with trade dress protection as the primary means for protecting imitative artistic works. Trade dress protection is not limited to a fifty-six year duration as is a copyright and a defendant's work need be only confusingly similar rather than substantially similar in order to infringe. Lanham Trademark Act, § 43(a), 15 U.S.C. § 1125(a) (Supp. IV 1992). While such expansive protection would be a boon to a few often-imitated artists, it could extend an artist's monopoly beyond socially optimal levels, thereby stifling creativity. See infra part VI; see generally Fogerty v. Fantasy, Inc., 114 S. Ct. 1023 (1994) (recognizing that copyright law grants only a
This article suggests that creative incentives may be preserved by analyzing intermediate copying as a separate use of a copyrighted work. Digital technology permits unauthorized manipulation and selective use of an author's copyrighted expression with unprecedented ease, allowing the user to develop non-infringing imitations. By viewing the initial digital reproduction, indeed any intermediate copy as a potential infringement, the incentive mechanism at the core of the United States copyright system may be safeguarded.

Part II of this article briefly describes the United States copyright framework, demonstrating that unchecked intermediate copying partially undermines the system's goal of promoting the creation of original works. Part III reviews the meager case law on the subject of intermediate copying; the latest case to address the issue supports a separate copyright analysis of intermediate copying. Part IV discusses how an infringement analysis of intermediate copying should proceed. Part V suggests possible remedies for infringing intermediate copies. Part VI discusses an interesting paradox raised by digital technology which the Supreme Court has touched upon in two recent copyright decisions.

II

Copyright Law's Approach to Intermediate Copying

A basic copyright framework is needed to appreciate the implications of intermediate copying. The United States copyright system stems from a constitutional provision authorizing Congress to grant authors exclusive rights to their original works in order to "promote the Progress of Science and useful Arts." Congress has exercised this authority in Title 17, § 106 of the United States Code, endowing authors of original works with the exclusive right to reproduce the work in copies; make derivative works from the original; distribute copies of the work; perform the work publicly; and display the work publicly.

In most cases, use of a copyrighted work without authorization from the copyright holder is an infringement, subjecting the user to

limited monopoly in order ultimately to serve the public good by allowing others to draw upon existing works).

24. Id. § 106(2).
25. Id. § 106(3).
26. Id. § 106(4).
27. Id. § 106(5).
liability for actual or statutory damages. The holder of a valid copyright will prevail in an infringement action if he can demonstrate that a defendant had access to the holder's work and that the defendant produced a work that is substantially similar in protectable expression to the copyrighted original. Because an author may legally prevent others from using his work, he is able to reap economic benefits from it, by either exploiting the work himself or licensing others to do so. Through this remunerative system, copyright law generates incentives for the production of original works, thereby serving the constitutional mandate of promoting the useful arts.

In limited cases, the aim of generating incentives for creation of original works is subordinated to other social policy goals through invocation of the fair use doctrine. When a particular use of a copyrighted work is viewed as socially desirable it is deemed "fair," allowing the user to avoid liability to the copyright holder for the use.

Outside the context of fair use, however, all unauthorized reproductions of a copyrighted work infringe an author's exclusive right to make reproductions. The ultimate purpose of such copies is generally irrelevant under the Copyright Act. Liability does not turn, for example, on whether a copy is sold, but simply whether it is authorized.

Each uncompensated use of a copyrighted work reduces the financial reward which other authors can expect to derive from their own creations, thus reducing the incentive for creation of original works. Further damage to incentives results when an author is deprived of the ability to control his own work. Some authors may prefer not to create, rather than see elements of their work taken and utilized by others in an undesirable manner. To avoid undermining copyright law's incentive mechanisms, an author's right to his or her

30. Sid & Marty Krofft Television Produc., Inc. v. McDonald's Corp., 562 F.2d 1157, 1162 (9th Cir. 1977).
32. The statute provides examples of fair uses including use of a work "for purposes such as criticism, comment, news reporting, teaching, . . . scholarship, or research." Id. Case law has privileged uses ranging from parody to private, non-commercial videotaping of television programs. E.g., Fisher v. Dees, 794 F.2d 432 (9th Cir. 1986); Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984).
34. See Walker v. University Books, 602 F.2d 859, 864 (9th Cir. 1984).
35. For example, an artist who photographed flocks of geese for a National Rifle Association calendar might be offended if an anti-hunting organization were able to digitize the photograph and use the image of the geese in an entirely different setting to oppose hunting.
work must be exclusive. Any unauthorized copy of a protected work must be viewed as a potential infringement.

Ordinarily, it is unnecessary to focus on intermediate copying to preserve creative incentives. A final work which draws on such copies is likely itself to be an infringement of the copyrighted original. In certain instances, however, the final work does not infringe, either because it is a fair use, or because it is sufficiently dissimilar from the original. In those cases, the direction of the law is to permit an author to seek redress for intermediate copying of his work.

III

Case Law on Intermediate Copying

Courts have seldom addressed the issue of intermediate copying squarely. In its first decision on the issue, *Walker v. University Books*, the Ninth Circuit Court of Appeals embraced the suggestion that intermediate copying warrants analysis as a separate use of a copyrighted work. The plaintiff in *Walker* owned the copyright on a set of “I-Ching” cards, used to aid instruction of Chinese fortune telling. The defendant had prepared camera-ready blue prints of cards identical to the plaintiff’s, but had not yet produced its own cards. The United States District Court viewed the blue prints as mere preparations by the defendant, not themselves a reproduction of the plaintiff’s work and thus not an infringement of her copyright. Rejecting this view, the Ninth Circuit stated, “the fact that an allegedly infringing copy of a protected work may itself be only an inchoate representation of some final product to be marketed commercially does not in itself negate the possibility of infringement.” Recognizing that such intermediate copies could harm creative incentives, the appellate court properly identified the inquiry with respect to such copying as simply whether the defendant used the copyrighted work without authorization. Because the defendant’s blue prints were not author-

---

36. See Sega Enters. Ltd. v. Accolade, Inc., 977 F.2d 1510, 1518-19 (9th Cir. 1993) (discussing numerous cases ostensibly involving intermediate copying, none of which directly address the permissibility of the activity). *Sega* is discussed infra at notes 49-63 and accompanying text.
38. Id. at 861.
39. Id.
40. Id. at 863.
41. Id. at 864; accord Walt Disney Producs. v. Filmation Assocs. 628 F. Supp. 871, 876-77 (C.D. Cal. 1986) (fact that infringing intermediate copies of Disney characters had not yet been incorporated into an ultimate work does not preclude the possibility of infringement).
42. *Walker*, 602 F.2d at 864.
ized by the plaintiff, the *Walker* panel reversed the lower court’s grant of summary judgment of non-infringement and remanded the case for a determination of whether the blue prints themselves were infringing.\(^{43}\)

*Walker* marked a high point for judicial recognition of intermediate copying as potential infringement. In contrast, the Ninth Circuit’s subsequent decision in *See v. Durang*\(^{44}\) gave short shrift to the suggestion that intermediate copying could infringe an author’s exclusive rights. In *See*, the district court had determined that the defendant’s play was sufficiently dissimilar from the plaintiff’s as to avoid copyright infringement.\(^{45}\) The plaintiff then sought discovery of drafts of the defendant’s play on the theory that the drafts could reflect greater similarity to her own work and thus might infringe her copyright.\(^{46}\) The court denied the discovery request, ruling that the earlier versions sought by the plaintiff could not support an infringement claim where the play ultimately produced was non-infringing.\(^{47}\) In so doing, the court implicitly condoned intermediate copying stating that “[c]opying deleted or so disguised as to be unrecognizable is not copying.”\(^{48}\)

It appears that the Ninth Circuit has reaffirmed support for *Walker* in its latest decision on the issue of intermediate copying, *Sega Enters. Ltd. v. Accolade, Inc.*\(^{49}\) In *Accolade*, the plaintiff held the copyright to a video game computer program containing a code which allowed the game to be played in Sega’s game console.\(^{50}\) The code itself was unprotectable expression, free for anyone to use.\(^{51}\) In order to ascertain what the code was, however, a competitor needed to reverse engineer the Sega programs, making several copies of them in the process.\(^{52}\) The defendant, Accolade, engaged in this reverse engineering and discovered the code that it then used in its own game programs.\(^{53}\) Accolade’s final programs were not infringements of Sega’s copyright, however, as they utilized only an unprotectable piece of Sega’s code.\(^{54}\)

\(^{43}\) Id.
\(^{44}\) 771 F.2d 141 (9th Cir. 1983).
\(^{45}\) Id. at 142.
\(^{46}\) Id.
\(^{47}\) Id.
\(^{48}\) Id.
\(^{49}\) 977 F.2d 1510 (9th Cir. 1993).
\(^{50}\) Id. at 1514.
\(^{51}\) Id. at 1524 n.7.
\(^{52}\) Id. at 1514-15.
\(^{53}\) Id. at 1515-16.
\(^{54}\) Id. at 1524 n.7.
Sega brought a copyright infringement action based on the intermediate copies Accolade made to gain access to the code. Relying on the See decision, Accolade defended its intermediate copying by claiming it was permissible where the ultimate work produced was noninfringing. Citing the “unambiguous language of the [Copyright] Act,” the circuit court stated that “intermediate copying . . . may infringe the exclusive rights granted to the copyright owner . . . regardless of whether the end product of the copying also infringes.” In so doing, the court reflected a preference for the Walker approach to intermediate copies, viewing such copies as potentially infringing uses.

To say, as the Accolade court did, that intermediate copying may infringe, is not to say that it does. Indeed, the Accolade panel held Accolade’s intermediate copying to be fair use, viewing its reverse engineering as necessary to access the unprotectable expression in Sega’s program. The decision to privilege Accolade’s intermediate copies was not based upon the noninfringing status of Accolade’s ultimate computer programs. Rather, the decision simply analyzed the intermediate copying as its own use of a copyrighted work, which under the facts of this case was fair.

55. Id. at 1516-17.
56. See discussion of See v. Durang supra notes 44-48 and accompanying text.
57. Id. at 1518.
58. Id. at 1519.
59. Walker is discussed supra at notes 37-43 and accompanying text.
60. See is discussed supra at notes 44-48 and accompanying text.
61. While noting the Walker decision as relevant, the Accolade court viewed the issue as one of first impression, apparently drawing a distinction between an intermediate copy of computer code and an intermediate copy of “I-Ching” cards. Sega, 977 F.2d at 1519. The court did not, however, address the seemingly contradictory holding of See.
62. Id. at 1518, 1527-28.
63. Id. at 1527. Despite the apparent thrust of the Sega decision, it appears that an intermediate copy cannot be analyzed wholly without regard to the ultimate work. Under the Copyright Act’s fair use provisions, the purpose to which a copy is put and the effect of that copy on the market for the copyrighted work are factors a court must consider in assessing the applicability of the privilege. See 17 U.S.C. § 107 (1988 & Supp. IV 1992). In order to evaluate the purpose behind an intermediate copy, a court must necessarily examine the use to which that copy was put. Indeed, in Sega, the court viewed the intermediate copying as fair in part because it enabled Accolade to develop products which complemented rather than competed with the copyright holder’s products. Sega, 977 F.2d at 1523-24. Thus, the status of the ultimate work may influence the analysis of an intermediate copy. See also Kepner-Tregoe, Inc. v. Leadership Software, Inc., 12 F.3d 527, 538 (5th Cir. 1994) (broad injunction against future infringement limited to permit defendant to sell modified versions of its infringing program which, while derived from an infringement, were not themselves substantially similar).
IV

Digitizing and Infringement

As digital technology becomes more accessible and non-infringing manipulations more prevalent, a copyright holder may be forced to protect his work by suing for infringement based on intermediate copies. As the Accolade decision demonstrates, however, viewing intermediate copies as a use of a copyrighted work does not determine whether that use is infringing.

While the Accolade opinion mandates that an intermediate copy receive its own infringement analysis, the separate analysis may involve examination of the use to which the intermediate copy is ultimately put. In cases where the work ultimately produced is a fair use, it seems logical to view a requisite intermediate copy as itself fair. The fair use privilege attaches to a work by virtue of a congressional and judicial determination that the work is one which ought to be encouraged, the author's copyright notwithstanding. In such cases, the need to safeguard creative incentives must yield to a purpose which society views as superior. Given the desire to see fair use works produced, a copyright holder may not be entitled to claim infringement from intermediate copies necessary to create them.

This issue lurks between the lines of the Campbell case. Presumably a digitized, intermediate copy of the Orbison song was made by 2 Live Crew as an essential step in producing its “parody.” If the parody is ultimately found to be sufficiently desirable to warrant fair use protection, what effect does that finding have on the intermediate copy? To view the copy as infringing would undercut a determination that the parody is a socially desirable fair use. Future parodists would be discouraged from producing similarly desirable works, fearing liability for copyright infringement. Thus, in order to encourage socially desirable fair uses, it appears that intermediate copying which is necessary to produce those uses should also be ruled fair.

Under current interpretation of the fair use doctrine, this result is by no means clear. Unlike the finished product, the intermediate copy is not itself a parody, nor anything other than a verbatim translation of
Nevertheless, the rationale underlying the fair use doctrine could support an argument that intermediate digitized copies are a fair use in this context. Unlike the situation where the ultimate work produced is a fair use, when an intermediate copy of a protected work is digitally manipulated into a new, non-infringing work, there may be no social policy rationale overriding the need to protect creative incentives. While digital manipulations may nominally add to the store of creative works, their unchecked production would undermine creative incentives by depriving authors of control over and rewards for their original efforts. Based upon the Ninth Circuit's view in *Walker* and *Accolade*, intermediate copies may be viewed as infringing in such cases, to prevent the appropriation and manipulation of an author's original expression.

**V**

**Finding a Remedy for Intermediate Copying**

As uncertain as the issue of liability for intermediate copying is, equally unclear, is the question of what remedy should be available when such copying is deemed infringing.

Section 502(a) of the Copyright Act specifically empowers a court "to grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright." Courts have exercised this statutory discretion in intermediate copying cases and enjoined not only intermediate copying but also the distribution and sale of products developed from the infringing activity.

---

68. See Radji v. Khakbaz, 607 F. Supp. 1296, 1303 (D.D.C. 1985) (verbatim translation of article in foreign language is an infringing derivative work); see also supra note 58 and accompanying text.


70. Should an individual who makes an intermediate copy and manipulates it into a non-infringing, new work be treated differently from one who merely views a copyrighted work and develops the same, non-infringing new work from memory? If intermediate copies are infringing, the first individual is liable for copyright infringement, the second individual is not. It may be argued that disparate treatment is warranted because the copier was able to save time producing his new work and thus derived an additional benefit from the original for which he should compensate the author. This argument, however, would effectively result in compensating the original author for the effort he expended in creating his work, a position squarely rejected by the Supreme Court. See *Feist Publications, Inc. v. Rural Tel. Serv.*, 499 U.S. 340, 359-60 (1991) (copyright law does not protect an author's "sweat of the brow").


72. See *MAI Sys. Corp. v. Peak Computer*, Inc., 991 F.2d 511, 514, 524 (9th Cir. 1993) (enjoining computer servicing company from performing any computer maintenance in-
In *SAS Institute, Inc. v. S & H Computer Systems*, for example, after the termination of the parties' license agreement, the defendant continued to use plaintiff's copyrighted computer code and developed a competing product. The defendant attempted to cure its infringement by concealing the copied expression. Applying the theory of unjust enrichment, the United States District Court permanently enjoined the “marketing and distribution of” the sanitized product:

> Obviously, the Court cannot turn back the clock and prevent [defendant] from making impermissible use of those [copyrighted] materials. It can, however, put the parties in the same position they would be in had [defendant] complied with the license agreement. Had [defendant] done so, it would not have developed its present product, or at the very least, not in its present form and not in the time actually required. It would not, therefore, be in a position to market that product, and hence the Court should not allow it to do so.

As a matter of equity, in intermediate copying cases, one could argue that a court should have discretion to enjoin sales of the final product, even if it is non-infringing. Any other finding would effectively reward unlawful activity. Indeed, the Copyright Act has been interpreted as contemplating injunctive relief as a means of barring infringing activity even before a final product has issued.

In some circumstances, a prohibition on continued sales arguably may be the only effective remedy. The intermediate copying may prove so pervasive and so fundamental to the development process that the only way to protect the copyright holder's interests may be to enjoin the sale of imitations developed by means of systematic infringement and manipulation. As a rule, courts attempt to draw injunctions narrowly to enjoin only the use of the protected expression. When infringing and non-infringing material are inextricably inter-
twined, however, courts may enjoin the dissemination of the entire work, even though this remedy prevents the defendant from benefitting from its own original contributions. As the Ninth Circuit has noted, the balance of equities surrounding the issuance of an injunction should weigh against the infringer:

In fashioning relief, the district court should not be overly concerned with the prospective harm to [defendant]. A defendant has no right to expect a return on investment from activities which violate the copyright laws. Once a determination has been made that an infringement is involved, the continued profitability of [defendant's] business [ ] is of secondary concern.

On the other hand, broad injunctive relief would contradict a fundamental limitation of copyright, namely that it protect only the author's original expression. If intermediate copies are used to prepare a non-infringing final work, why should copyright law prohibit sale of the modification which is by definition, original, creative, and itself worthy of copyright protection? To provide injunctive relief against such non-infringing manipulations is to extend copyright protection to the unprotectable ideas in a work.

In Kepner-Tregoe, Inc. v. Leadership Software, Inc., the defendant appealed from a judgment enjoining it not only from future infringement, but also from selling any modifications of its infringing work, regardless of whether the modified work was itself an infringement. The Fifth Circuit Court of Appeals found the injunction overbroad to the extent that it precluded the defendant from modifying its program to produce a version that was not substantially similar to the copyrighted work. The court held:

Under copyright law, the district court could enjoin only those future versions of MPO that are substantially similar to K-T's Licensed Materials. LSI is free to continue its efforts to devise a non-

79. See Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390, 398-99 (1940) (apportioning damages based on percentage of infringing material in motion picture; not disturbing injunction barring exhibition); Orth-O-Vision, Inc. v. Home Box Office, 474 F. Supp. 672, 686 n.14, 687 (S.D.N.Y. 1979) (granting injunction; "[w]hen ... it is technologically impossible to separate out the infringing material the copyright owner ought not go unprotected.").


82. 12 F.3d 527 (5th Cir. 1994).

83. Id. at 531.

84. Id. at 538.
infringing management training program, notwithstanding any expansive language in the district court's opinion to the contrary.\textsuperscript{85}

The likelihood of a copyright holder seeking an injunction to prevent intermediate copying is remote, however. In most cases, the existence of intermediate copying will be discovered, if at all, only well after the copying has taken place.\textsuperscript{86} In such circumstances, if copyright infringement occurred, a variety of damage awards may be made available to the copyright holder.

Under the Copyright Act, an infringer is liable either for statutory damages\textsuperscript{87} or for the plaintiff's actual damages plus his own profits, unaccounted for in the actual damages computation.\textsuperscript{88} The latter standard has proved complicated.\textsuperscript{89} The question of intermediate copying merely adds to an already confusing analysis.

One could certainly view an infringing intermediate copy as a prerequisite to the finished work, making the ultimate work "fruit of the poisonous tree." Under this view, the copyright holder could be entitled to a recovery based on the defendant's sales of a non-infringing finished product. Damages would cover sales lost by the copyright holder plus non-duplicative profits of the defendant. Of course, if the

\textsuperscript{85} Id. The court did not mention \textit{Sega v. Accolade} or the possible inconsistency with the approach to intermediate copying taken by the Ninth Circuit in \textit{Sony}.

\textsuperscript{86} If the ultimate work is not substantially similar to the original, one wonders how a copyright holder would discover that his work had been improperly reproduced. Perhaps the author would recognize elements of his particular style embodied in the final work which the ordinary person would not notice. \textit{But see} Walt Disney Producs. v. Filmation Assocs. 628 F. Supp. 871, 874 (C.D. Cal. 1986) (copyright holder made aware of infringing intermediate copies by virtue of their use in defendant's advertising and promotional materials). The sanctions available under the Federal Rules of Civil Procedure, Rule 11, would make the filing of an action based on such limited information very risky; yet it may be the only way for a copyright holder to protect himself. The copyright holder's litigation counsel may be placed in a serious dilemma in filing an action for copyright infringement based upon very speculative evidence. The Supreme Court's recent decision in \textit{Fogerty v. Fantasy, Inc.}, 114 S. Ct. 1023 (1994), increases the risk to plaintiffs who may be liable for the defendant's attorneys fees in an unsuccessful action. If plaintiffs are deterred by such factors, however, potential infringers will go unpunished.


\textsuperscript{88} Id. § 504(b) (1988 & Supp. IV 1992).

\textsuperscript{89} In the Ninth Circuit, for example, a court must first determine plaintiff's actual damages by attempting to estimate what a willing buyer would pay a willing seller for use of a copyrighted work. \textit{See}, e.g., Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc., 772 F.2d 505, 512 (9th Cir. 1985). The court must then add the infringer's profits traceable to the infringement, calculated by subtracting his costs from his sales of the work. \textit{Id}. at 514. In addition, the defendant's "indirect profits" from the infringement are available. \textit{Id}. at 517. Only a portion of the infringer's profits are recoverable however; a percentage commensurate with the value of the infringer's work derived from the copyrighted work. \textit{Id}. at 517-18.
“fruit of the poisonous tree” doctrine is applicable, an injunction such as discussed above may be justified under existing law.90

Alternatively, where the final work does not itself infringe the copyrighted work, the copyright holder may suffer no damage from its production. The defendant does not sell the infringing intermediate copies, thus, no sales of the copyrighted work are lost because of copies. Unless the plaintiff can show that the defendant’s final product usurps sales of the copyrighted work, damages for infringement may be de minimis.

Statutory damages are a third potential copyright remedy. Indeed, this is the remedy discussed by the Walker court for infringing intermediate copies.91 Under the Act, a copyright holder may forego pursuit of actual damages and seek to recover an award under § 504(c).92 A judge has the discretion to award from $500 to $20,000.93 Where the copyright holder can prove that infringement was willful rather than innocent, as may often be the case with intermediate copying, the statutory award may reach $100,000.94

VI

The Paradox

As discussed earlier, the United States copyright system stems from a constitutional provision authorizing Congress to grant authors exclusive rights to their original works in order “[t]o promote the Progress of Science and useful Arts.”95 Case law has repeatedly recognized, however, that the copyright system rewards authors not as an end in itself, but rather to serve the public good by allowing access to creative works.96 As a result, copyright questions raised by new technologies should be resolved in a way that best serves the law’s ultimate purpose.

In most instances, extending copyright protection to cover new technological uses of a copyrighted work advances the goal of increasing the number of creative works. The greater the copyright protec-

90. See supra notes 77-78 and accompanying text.
92. 17 U.S.C. § 504(a),(c).
93. Id. § 504(c).
94. Id.
96. The Supreme Court has stated: “The immediate effect of our copyright law is to secure a fair return for an ‘author’s’ creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good.” Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) (citations omitted).
tion the greater the financial reward for creativity and the more likely an individual is to create a new work. As the Supreme Court recognized in *Campbell*, however, at some point increasing copyright protection actually stifles production of new works by preventing others from drawing upon existing works to develop their own new creations. The Court cautioned that a restrictive interpretation of the fair use doctrine could stifle creativity by preventing authors from transforming existing works:

[T]he 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.

Another Supreme Court copyright decision, issued only days before the *Campbell* opinion, is in accord:

We have often recognized that the monopoly privileges that Congress has authorized, while "intended to motivate the creative activity of authors and inventors by the provision of a special reward," are limited in nature and must ultimately serve the public good.

The phenomenon noted in the two recent cases may be illustrated graphically:

98. *Id.* at 1171 (citation omitted). Elsewhere in the opinion the Court quoted Justice Story's language from a classic opinion making essentially the same point: "Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before." *Id.* at 1169, quoting *Emerson v. Davies*, 8 F. Cas. 615, 619 (C.C.D. Mass. 1845) (No. 4,436).
99. *Fogerty v. Fantasy, Inc.*, 114 S. Ct. 1023, 1029 (1994). In *Fogerty*, the Court ruled that awards of attorney's fees to prevailing parties in copyright actions should be available to defendants under the same standard as applies to plaintiffs. *Id.* at 1033. The court rejected the dual standard which had been used by several circuits, stating that it was equally important to encourage defendants to litigate meritorious defenses and ensure that the limited copyright monopoly is properly demarcated. *Id.* at 1030.
In the absence of any copyright protection, a number of works would be produced by those who create purely for the non-pecuniary enjoyment which creation itself provides [Point A on the graph]. As copyright protection increases, more authors are persuaded to produce by the promise of financial gain. To realize the maximum number of new works, copyright protection should be set at a level where the number of works gained from heightened incentives is precisely offset by the number lost when individuals, fearing infringement, are unwilling to produce works drawing upon those already existing [Point X on the graph].

Digital technology is an enigma in light of this tension in copyright law. It may greatly enhance the creative process yielding countless new, transformative works, but if original works may be manipulated at will, the technology may diminish creative incentives, actually reducing the number of new works.

Cases involving digital technology will grapple with the paradox when evaluating the permissibility of intermediate copying. In order to prepare a digital manipulation, an individual must first digitize the copyrighted work. This initial digitization, a verbatim translation of the original work into computer language, would traditionally be viewed as copyright infringement; thus preserving creative incentives by providing authors with some remedy for unauthorized use of their work. If intermediate copying is deemed an infringement, however, society will be unable to recognize digital technology's limitless potential for generating new works. Therefore, it may be desirable to permit such copying where the ultimate work produced from the copy is sufficiently different so as not to infringe the original work's copyright.

In the near future, courts will be asked to determine which approach to intermediate copying should be adopted. The answer to that question will require an evaluation of the current level of copyright protection. Is that protection reflected by Point B on the graph so that ruling intermediate copying an infringement (heightening copyright protection and creative incentives) would increase produc-

100. See generally Wyham M. Landes & Richard A. Posner, An Economic Analysis of Copyright Law, 18 J. LEGAL STUD. 325 (1989). The entirety of copyright law may be explained under this simple model. Under the fair use doctrine, for example, individuals are permitted to use a copyrighted work in certain socially desirable ways, without incurring liability for infringement. See 17 U.S.C. § 107. The doctrine permits use of a work "for purposes such as criticism, comment, news reporting, teaching . . . , scholarship, or research." Id. Thus, the doctrine effectively increases the number of new works by reducing the protection which a copyright holder enjoys on his work. Graphically, the fair use doctrine moves society from Point C on the graph toward Point X.

101. See 17 U.S.C. § 106(1); see also supra notes 33-35, 41 and accompanying text.
tion of creative works, or is the current level of protection Point C, in which case additional protection would reduce the number of new works?  

VII

Conclusion

Digital technology is adding another layer of complexity to copyright law. Through digitization, the media of music, video, and art all may be transformed into easily manipulated computer code. As the Second Circuit noted in *Computer Associates v. Altai*, applying copyright law to computer code may be akin to trying to squeeze a round peg into a square hole. The resulting imprecise fit may have harmful consequences for the creative incentives established by copyright law. To protect those incentives, courts may view “intermediate copies” made in the digitization process as themselves uses of a copyrighted work. At the same time, courts must be mindful of the Supreme Court’s recent decisions noting the tension between promoting such incentives and serving copyright’s ultimate goal of generating new creative works. If intermediate copying is always viewed as infringement, digital technology’s unparalleled potential will never be realized.

---

102. Conversely, if intermediate copying is deemed a permissible use of a copyrighted work, does that move us back toward equilibrium, or beyond it?
103. 986 F.2d 693 (2d Cir. 1992).
104. *Id.* at 712.