NOTE

HOLY FANDOM, BATMAN! COMMERCIAL FAN WORKS, FAIR USE, AND THE ECONOMICS OF COMPLEMENTS AND MARKET FAILURE

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INTRODUCTION

The average American spent $2,504 on media and entertainment in 2010.[1] In addition to spending money, the average American spends about 2.7 hours per day watching television—and countless hours more reading, playing video games, and engaging in other forms of entertainment.[2] Given the significant time and money that Americans spend on entertainment, it should come as no surprise that popular culture constitutes a major component of modern American life. For many consumers, passively engaging in entertainment—watching television, reading books, listening to music—is sufficient. Other consumers feel compelled to discuss their reactions to media with other entertainment consumers, whether they do so in person with friends and family, or online through message boards and forums.[3]

For many entertainment consumers, however, simply experiencing and discussing popular culture works is unsatisfactory. This particular subset of consumers known as fans—a term derived from the term "fanatic"[4]—often feels such an affinity to popular culture works that they respond to them with their own creative expression.[5] The product of this expression can manifest in a wide variety of forms, including literary works such as fan fiction, audiovisual works such as fan videos, and pictorial works such as fan art.[6]

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[1] *See* BUREAU OF LABOR STATISTICS, CONSUMER EXPENDITURE SURVEY (2010) (Table 3), *available at* ftp://ftp.bls.gov/pub/special.requests/ce/standard/2010/age.txt.

[2] According to the Bureau of Labor Statistics, the average American over the age of fifteen watched an average of 2.75 hours of television each day. BUREAU OF LABOR STATISTICS, AMERICAN TIME USE SURVEY—2011 RESULTS (2012), *available at* http://www.bls.gov/news.release/pdf/atus.pdf.

[3] Neda Ulaby, *Vidders Talk Back To Their Pop-Culture Muses*, NAT'L PUB. RADIO (Feb. 25, 2009, 2:36 PM), www.npr.org/templates/story/story.php?storyId=101154811.

[4] OXFORD ENGLISH DICTIONARY (11th ed. 2008) ("fan" n.2).

[5] Elizabeth Burns & Carlie Webber, *When Harry Met Bella: Fanfiction is All the Rage. But is it Plagiarism? Or the Perfect Thing to Encourage Young Writers?*, SCH. LIBR. J., (Aug. 1, 2009), www.schoollibraryjournal.com/article/CA6673573.html.

[6] Rebecca Tushnet, *Payment in Credit: Copyright Law and Subcultural Creativity*, 70

Most of these fan works build upon elements from popular culture works, creating a final product that is a mixture of elements from the original work and the fan's original contributions.[7] With the rise of the Internet, fans have a public forum to distribute their goods, whether they make their works available for free, or sell their works for commercial profit.[8] Although many fan works are non-commercial in nature, some enterprising fans are beginning to sell their works ("fan-created merchandise") on websites such as Etsy or eBay.[9]

While we are a society that generally encourages entrepreneurship, American copyright laws limit a fan's ability to respond to popular culture by creating their own marketable works.[10] The Copyright Act protects popular culture works such as television shows, graphic novels, books and music as works of authorship.[11] Under the terms of the Act, fans cannot create reproductions of copyrighted material (known in copyright law as "derivative works") without the copyright owner's permission.[12] As many fans do not obtain authorization from copyright owners, many fan works may constitute a per se violation of the Copyright Act.[13]

This Note examines how existing American copyright laws limit fan expression and ultimately argues that the fair use defense should apply to certain kinds of fan works sold for commercial profit. Part I discusses the nature of fan works and how the evolution of fan works created legal tension between the copyrighted original works and fan works. Part II explores the legal status of fan works under American copyright law and compares the rights of original work authors with those of derivative work authors. Part III focuses on copyright's fair use exception and examines how this doctrine attempts to achieve copyright's policy goals. Part IV uses two test cases to argue that current fair use doctrine should expand to permit fair uses where the

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LAW & CONTEMP. PROBS. 135, 140 (2007) [hereinafter Tushnet, *Payment in Credit*].

[7] Rebecca Tushnet, *Legal Fictions: Copyright, Fan Fiction, and a New Common Law*, 17 LOY. L.A. ENT. L.J. 651, 654 (1997) [hereinafter Tushnet, *Legal Fictions*].

[8] Mark Tutton, *A Crafty Way to Beat the Chain Stores*, CNN TECH (Sept. 18, 2008), http://www.cnn.com/2008/TECH/science/09/18/craft.revival/.

[9] Abe Sauer, *The Hunger Games Inspires Some Inspired (and Unofficial) Fan Merchandise*, BRAND CHANNEL (Mar. 26, 2012, 7:01 PM), http://www.brandchannel.com/home/post/2012/03/26/The-Hunger-Games-Fan-Merchandise-032612.aspx (listing a number of unofficial merchandise listed on Etsy and eBay for THE HUNGER GAMES (2008) franchise). *See generally* ETSY, http://www.etsy.com (last visited June 20, 2013); EBAY, http://www.ebay.com (last visited June 20, 2013).

[10] *See generally* Copyright Act, 17 U.S.C. §§ 101–1332 (2006).

[11] *Id*. § 102.

[12] *Id*. § 106.

[13] *See id*. § 106(2).

use is not substitutionary or where the use responds to market failure.[14] In Part V, this Note concludes that courts should find fan merchandise to be fair uses where they are complementary to the original work and where the merchandise fills a gap created by market failure.

I. THE NATURE OF FAN MERCHANDISE

Popular culture manifests itself in a variety of copyrightable forms: literary works, pictorial, graphical, or sculptural works, audiovisual works, musical works, or mixed forms of these kinds of media.[15] Entertainment consumers who engage with these works may react to them in a variety of ways. At one end of the spectrum is the passive consumer, who remains content with simply watching television and movies, reading books, and listening to music.[16] The other end of the spectrum hails the existence of "fandom:" communities of entertainment consumers who spend hours discussing their fandom or producing their own creative works based upon pop culture works.[17]

These fan-created works, much like the pop culture works that inspire them, can come in many forms. Fan works run the gamut from short stories, video mashups, artwork, musical tributes, costumes, and more.[18] In fandom, a strict dichotomy exists between "canon," the source material from the original pop culture work, and original fan contribution.[19] Because of this dichotomy, fans have the liberty of pursuing endless alternate narratives for pop culture works without fear of usurping or corrupting the canon material.[20] Regardless of the form it manifests in, most fan works take elements from canon material and

[14] Market failure is where desired transactions do not occur due to conditions in the market. *See* Wendy J. Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the* Betamax *Case and its Predecessors*, 82 COLUM. L. REV. 1600 (1982) [hereinafter Gordon, *Fair Use as Market Failure*].

[15] Tushnet, *Payment in Credit*, *supra* note 6, at 140.

[16] Ulaby, *supra* note 3.

[17] *Id*.; *see also* Burns & Webber, *supra* note 5.

[18] *Fanworks*, FANLORE, http://fanlore.org/wiki/Fanworks (last visited Apr. 12, 2012).

[19] Merlin Missy, *Canon Versus Fanon Versus Authorial Intent*, FIREFOX NEWS (July 30, 2007), http://firefox.org/news/blogs/20/Canon-Versus-Fanon-Versus-Authorial-Intent.html.

[20] Tushnet, *Payment in Credit*, *supra* note 6, at 160 ("Fan texts are a third type of creation, neither pure copies of another author's work nor authorized additions to the original. Fan creations lack the authority of official texts. Because they are not canonical, fan stories can offer a thousand different ways that Mulder and Scully of the X-Files first slept together, none of which contradict the other, or one author can write 'Five Things That Never Happened'—five alternate histories for a favorite character, all of which are, as the title states, repudiated by the author. Lack of authority, which stems from lack of authorization, allows a freedom unavailable to an official canon striving for internal consistency.").

builds upon it to create an original work.[21] Thus, the resulting fan work often mixes copyrighted elements from the canon with the fan's original contributions.[22] While fan works are inherently dependent upon references to and use of elements from canon, the added originality from fan-authors is often significant.[23]

Consider Alice Randall's *The Wind Done Gone*, an example of "fan fiction" for Margaret Mitchell's *Gone with the Wind*, to illustrate the relationship between copyrighted canon material and original fan contributions.[24] Like many other fan works, Randall's work appropriated a significant amount of material from the canon work.[25] At the same time, like other fan authors, Randall significantly expanded upon these appropriated elements.[26] Randall's *The Wind Done Gone* significantly develops characters that *Gone with the Wind* did not: "In [*The Wind Done Gone*], nearly every black character is given some redeeming quality—whether depth, wit, cunning, beauty, strength, or courage—that their *[Gone with the Wind]* analogues lacked."[27] Like fan works that explore untold stories or alternate perspectives, *The Wind Done Gone* took liberties with its canon text. For example, *The Wind Done Gone* created novel characters to interact with canon characters, such as the relationship between Rhett Butler and Cynara,[28] and explored background stories that the canon did not, such as Ashley Wilkes's homosexuality.[29] In addition to retelling canon narratives from a new perspective, other fan works often explore alternate realities or what-if situations.[30] One such example is *Coming Through the Rye: 60 Years Later*, a "fan work" which explored the question of what if we returned to J.D. Salinger's famous protagonist Holden Caulfield as a senile septuagenarian.[31]

Fan works first emerged in the form of fan fiction.[32] Although fan fiction still remains a popular medium for fans to express their creativity,[33] fan works

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[21] *Id*.

[22] *Id*.

[23] Missy, *supra* note 19.

[24] *See* Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257 (11th Cir. 2001).

[25] *Id*. at 1266–67 (noting that Randall used fifteen characters and locations closely resembling those of *Gone with the Wind*).

[26] *Id*. at 1272.

[27] *Id*. at 1271.

[28] *Id*. at 1272.

[29] *Id*. at 1270.

[30] *Fan Fiction*, TVWIKI, http://www.tvwiki.tv/wiki/Fan_fiction (last visited Feb. 21, 2013).

[31] *See* Salinger v. Colting, 641 F. Supp. 2d 250 (S.D.N.Y. 2009).

[32] Tushnet, *Payment in Credit*, *supra* note 6, at 139.

[33] Fanfiction.Net, the largest fan fiction archive on the Internet, listed well over

have begun to evolve beyond just literary works.[34] Where fan works were once limited to printed distribution through fanzines, the Internet now provides a new platform to distribute multimedia fan works.[35] Online fans can display more than just the written word. They can upload artwork onto websites like DeviantART, movies onto YouTube, and music onto SoundCloud.[36] More importantly, the proliferation of online marketplaces has facilitated the sale of fan-created works ("fan merchandise").[37] Such fan merchandise can encompass a variety of forms, from artwork to durable goods such as clothing and accessories.[38] This Note focuses on the legal status of fan merchandise sold for commercial profit, regardless of the form such works take.

II. THE COPYRIGHT SYSTEM AND DERIVATIVE FAN WORKS

The Copyright Act of 1976 constitutes Title 17 of the United States Code and governs modern copyright law in the United States.[39] Congress enacted the Copyright Act pursuant to its constitutional authority to "promote the Progress of Science and useful Arts."[40] Title 17 establishes copyright protection for all "original works of authorship," including pop culture works such as television shows, graphic novels, movies, and book series.[41] Such protection prohibits the creation of derivative works of pop culture works ("canon works") without the copyright owner's permission.[42] As a result, many fan works may infringe copyrighted works as unauthorized derivative works.[43] This Part explores the legal status of such derivative works under current copyright law, and particularly focuses on the nature of infringement and available defenses.

A. The Nature of Fan-Created Derivative Work Infringement: The Scope of

6,000,000 fan fiction titles and 3,000,000 users as of March, 2011. *Fan Fiction Statistics*, FFN RESEARCH (Mar. 18, 2011), http://ffnresearch.blogspot.com/2011_03_01_archive.html.

[34] Tushnet, *Payment in Credit*, *supra* note 6, at 139.

[35] *Id*.

[36] DeviantART, YouTube, and Soundcloud are all websites that provide users with the ability to upload their own creative content to disseminate to the world at large. *See* DEVIANTART, http://www.deviantart.com (last visited June 20, 2013); YOUTUBE, http://www.youtube.com (last visited June 20, 2013); SOUNDCLOUD, https://soundcloud.com (last visited June 20, 2013).

[37] *See supra* note 9 and accompanying text.

[38] See Sauer, *supra* note 9.

[39] *See* 17 U.S.C. §§ 101–1332 (2006).

[40] U.S. CONST. art. I, § 8, cl. 8.

[41] 17 U.S.C. § 102 (2006).

[42] *Id*. § 106.

[43] Tushnet, *Legal Fictions*, *supra* note 7, at 658–59.

Rights for Authors of Original Works

Section 501 of the Copyright Act establishes the necessary elements for a successful copyright infringement claim.[44] First, a plaintiff must establish that she is the "legal or beneficial owner of an exclusive right under a copyright."[45] To accomplish this, the plaintiff must establish that the work falls within the subject matter of copyright.[46] Second, a plaintiff must prove that the defendant "violate[d] any of the exclusive rights of the copyright owner."[47] Thus, for a fan-author to infringe upon the copyright of a canonical work, she must misappropriate material within the subject matter of copyright in a manner that violates an established exclusive right of the owner of the original work.

1. The Subject Matter of Copyright

For a canon work to qualify for copyright protection, it must be a "work of authorship" within the meaning of the Act.[48] The work does not necessarily have to fall within one of the explicit categories in the statute.[49] Still, as canon works tend to be books, film, and television series, they fall well within the boundaries of at least one of these express statutory categories.[50] However, the fact that a category applies to a work does not mean that all takings constitute a per se infringement. As Section 102 asserts, copyright protection does not extend to "any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described."[51] This dichotomy between unprotected ideas and protected expression has come to be known as the idea/expression distinction.

The idea/expression distinction emerged in the 1879 Supreme Court case *Baker v. Selden* and predates the current Copyright Act.[52] That case involved a dispute regarding *Selden's Condensed Ledger, or Book-Keeping Simplified*, which described a specific system of accounting and came with blank forms

[44] 17 U.S.C. § 501 (2006).

[45] *Id.* § 501(b).

[46] *Id.* § 102.

[47] *Id.* § 501(a).

[48] *Id.* § 102.

[49] *Id.* § 102(a)(1)–(8) (identifying specific categories that may constitute work of authorship, including: literary works, musical works, dramatic works, pantomimes and choreographic works, pictorial, graphic and sculptural works, motion pictures and other audiovisual works, sound recordings, and architectural works).

[50] *Id.*; *see also* Missy, *supra* note 19.

[51] 17 U.S.C. § § 102(b) (2006).

[52] *See* Baker v. Selden, 101 U.S. 99 (1879).

readers could use for personal book-keeping.[53] Selden, the owner of the copyright in the ledger, claimed Baker infringed upon his copyright by selling books that described a similar system.[54] Baker's books did not use any of Selden's exact language to describe the system or contain forms similar to those of Selden's.[55] The Supreme Court held that Selden's copyright did not extend to the accounting *system* Selden described, but only protected the specific *expression* he used to describe it.[56] Ideas and concepts, such as an accounting method, are not copyrightable.[57] Protection only extends to the unique expression of these concepts.[58]

This idea/expression distinction means that fan works can infringe upon copyright in canon works only insofar as the fan work misappropriates the canon's protected expression. Ideas, concepts, or other unprotected elements taken from the canon work will not constitute infringement.[59]

Arguably, many fan works only misappropriate ideas, and not protected expression. Reconsider *The Wind Done Gone* as a case study for how the idea/expression distinction applies to derivative fan works.[60] *The Wind Done Gone* retells Margaret Mitchell's *Gone with the Wind* from the perspective of Randall's original character Cynara.[61] Like most fan works, Randall expands upon misappropriated plot elements and characters from *Gone with the Wind*.[62] For example, the description of Gerald Butler's acquisition of Pork in a card game transforms into "Garlic, far from being the passive 'chattel' in [*Gone with the Wind*], is portrayed as being smarter than either white character by orchestrating the outcome of the card game and determining his own fate" in Randall's version.[63] Although Randall misappropriates some language verbatim from the canon,[64] a majority of what Randall has appropriated (characters, locations, plot) seems more akin to an unprotected idea. However, the Eleventh Circuit ultimately determined that Randall's misappropriation of Mitchell's characters, settings, and plot constituted prima facie infringement.[65]

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[53] *Id*. at 100.

[54] *Id*.

[55] *Id*. at 101.

[56] *Id*. at 107.

[57] *Id*.

[58] *Id*.

[59] *See* 17 U.S.C. § 102 (2010).

[60] *See* Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257, 1263 (11th Cir. 2001).

[61] *See id*. at 1267.

[62] *Id*. at 1272.

[63] *Id*.

[64] For example, Rhett Butler's famous line: "My dear, I don't give a damn." *Id*.

[65] Although the court found that Randall's work constitutes prima facie infringement, ultimately the court rules in Randall's favor under a theory of fair use. *Id*. at 1277.

The determination that *The Wind Done Gone* constituted prima facie infringement demonstrates that courts will protect elements in canon works that are not "expressions" in the traditional sense.[66] As the court in *Suntrust* indicates, courts will protect "ideas" such as characters or general plot lines.[67] Rather than drawing the line at strict "expression," the Eleventh Circuit determined that *scènes à faire* and stock characters established the limit of copyright protection.[68] *Scènes à faire* are basic building blocks in any fictional work, "scenes which 'must' be done . . . which are as a practical matter indispensible [sic], or at least standard, in the treatment of a given topic."[69] Because *scènes à faire* are plot elements "that necessarily flow from a common theme or setting,"[70] granting them protection would hinder creativity. Stock characters are stereotypical characters found in numerous fictional works.[71]

Scènes à faire and stock characters lay firmly within the realm of unprotected ideas because they constitute "hackneyed elements [that] cannot furnish the basis for finding substantial similarity."[72] However, plot lines and characters that are "intricately detailed and [idiosyncratic] . . . cross the line into [protected] expression."[73] For example, although the concept of a suave secret agent may be a stock character, courts have determined that the specific character of James Bond was sufficiently delineated to warrant protection.[74]

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[66] *See id*. at 1267.

[67] *See* Walt Disney Prods. v. Air Pirates, 581 F.2d 751 (9th Cir. 1978) (protecting Mickey Mouse and other Disney characters); Metro Goldwyn-Mayer Inc. v. Am. Honda Motor Co., 900 F. Supp. 1287 (C.D. Cal. 1995) (protecting James Bond); Gaiman v. MacFarlane, 360 F.3d 644 (7th Cir. 2004) (protecting Spawn and Count Cogliostro); Salinger v. Colting, 641 F. Supp. 2d 250 (S.D.N.Y. 2009) (protecting Holden Caulfield).

[68] *Suntrust Bank*, 268 F.3d at 1266.

[69] 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.03[B][4] (Matthew Bender Rev. Ed. 2012).

[70] *Id*.

[71] *Gaiman*, 360 F.3d at 660 ("A stock character is a stock example of the operation of the doctrine, and a drunken old bum is a stock character. If a drunken old bum were a copyrightable character, so would be a drunken suburban housewife, a gesticulating Frenchman, a fire-breathing dragon, a talking cat . . . . It would be difficult to write successful works of fiction without negotiating for dozens or hundreds of copyright licenses, even though such stereotyped characters are the products not of the creative imagination but of simple observation of the human comedy." (citations omitted)).

[72] NIMMER & NIMMER, *supra* note 69, § 13.03[B][4].

[73] *Suntrust Bank*, 268 F.3d at 1266.

[74] In particular, the plaintiffs alleged that James Bond was sufficiently delineated in that the classic James Bond adventure compromised of "a high-thrill chase of the ultra-cool British charmer and his beautiful and alarming sidekick by a grotesque villain in which the hero escapes through wit aided by high tech-gadgetry." Specific traits that plaintiffs claim distinguish Bond from other secret agent characters are: "his cold-bloodedness, his overt

The more defined the plot or character, the stronger the copyright protection.[75]

Thus, fan misappropriation of plot and characters from canon works can constitute infringement if the misappropriated elements are sufficiently delineated.[76] While most fan works misappropriate no more than the characters, situations, or props from canon works,[77] judicial protection of these characters indicates that this taking satisfies the first prong of an infringement claim. However, this alone is not fatal to fans' abilities to use elements from canon works. As the next Part discusses, to succeed on a claim of infringement, copyright owners must also establish that fans have violated one of the exclusive rights in Section 106.

2. The Exclusive Rights of Copyright Owners

In addition to showing that their work falls within the subject matter of copyright, to succeed on a claim of copyright infringement, copyright owners must establish that defendants violated one of the exclusive rights in Section 106.[78] Section 106 lists six such exclusive rights.[79] However, fan works are most likely to infringe upon the Section 106(1) reproduction right or the Section 106(2) derivative work right.[80]

Section 106(1) establishes the author's exclusive right "to reproduce the copyrighted work in copies or phonorecords."[81] The clearest way that a fan could violate this right would be to create an exact reproduction.[82] For example, in the case of a literary work, reproducing language verbatim without the permission of the author would violate this right.[83] In *Warner Bros.*

sexuality, his love of martinis 'shaken, not stirred,' his marksmanship, his 'license to kill' and use of guns, his physical strength, [and] his sophistication." Metro Goldwyn-Mayer v. Am. Honda Motor Co., 900 F. Supp. 1287, 1294, 1296 (C.D. Cal. 1995).

[75] *Id.*; *see also* Walt Disney Prods. v. Air Pirates, 581 F.2d 751, 757–58 (9th Cir. 1978).

[76] *Suntrust Bank*, 268 F.3d at 1266.

[77] *Fan Fiction*, *supra* note 30.

[78] 17 U.S.C. § 106 (2006).

[79] *Id.*

[80] *Frequently Asked Questions (and Answers) About Fan Fiction*, CHILLING EFFECTS CLEARING HOUSE (Feb 01, 2013), http://www.chillingeffects.org/fanfic/faq.cgi.

[81] 17 U.S.C. § 106(1) (2006). Copies "are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." Phonorecords are "material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." *Id.* § 101.

[82] *See* Princeton Univ. Press v. Mich. Document Servs., 99 F.3d 1381 (6th Cir. 1996).

[83] *See id.*

Entertainment v. RDR Books, the court determined that the author of the *Harry Potter Lexicon*, an unauthorized encyclopedia for the *Harry Potter* universe, infringed upon J.K. Rowling's reproduction right in the Harry Potter novels.[84] The Lexicon did not violate the derivative work right because portions of the Lexicon contained "verbatim copying of language from the Harry Potter works."[85] However, infringing upon the reproduction right is not limited to verbatim copying, and can also occur when someone has reproduced work that is "substantially similar" to the copyrighted material.[86] A "substantially similar" infringement may occur, for example, if in the case of a literary work select phrases were copied verbatim but the rest of the passage was paraphrased.[87]

In contrast, Section 106(2) establishes the author's derivative work right, which is the exclusive right to "prepare derivative works based upon the copyrighted work" without the authors permission.[88] A derivative work can be any "work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, *or any other form in which a work may be recast, transformed, or adapted*."[89] The inclusion of this catchall phrase indicates that the derivative work right is a broad one, and would result in possible infringement liability for *any* kind of work based upon a copyrighted work, regardless of the form.

Unauthorized fan works may infringe upon either the reproduction right or the derivative work right. Many fan works may even infringe upon both.[90] Given courts' willingness to protect characters from infringement, fan works may infringe upon the reproduction right insofar as a fan work employs protected characters.[91] Thus, fan works that take nothing but character's names and personalities[92] may violate Section 106(1) for "reproducing" the protected character without permission.[93] At the same time, fan works using

[84] Warner Bros. Entm't v. RDR Books, 575 F. Supp. 2d 513, 552–53 (2008).

[85] *Id*. at 527.

[86] Three Boys Music Corp. v. Bolton, 212 F.3d 477, 481 (9th Cir. 2000).

[87] NIMMER & NIMMER, *supra* note 69, § 13.03[A][1].

[88] 17 U.S.C. § 106(2) (2006).

[89] *Id*. § 101 (emphasis added).

[90] *Frequently Asked Questions (and Answers) About Fan Fiction*, *supra* note 80.

[91] *See* Metro Goldwyn-Mayer v. Am. Honda Co.900 F. Supp. 1287, 1296–97 (C.D. Cal. 1995).

[92] For example, "uber fanfiction" feature mainly canon characters but "placed in contemporary settings, with different backgrounds, names, personalities, etc." *Fan Fiction*, *supra* note 30.

[93] Consider again the fact that the characters taken from GONE WITH THE WIND in Randall's THE WIND DONE GONE were found to be prima facie infringements. Suntrust

copyrighted elements from canon can infringe upon the derivative work right.[94] The broad statutory definition of derivative work indicates that nearly any fan work based upon copyrighted canon will constitute a derivative work, whether it is in the form of fiction, artwork, video, song, or a cross-media platform. Given that fan works tend to take copyrighted elements from canon works and "recast, transform, or adapt" them, most fan works would likely be considered derivative works.[95]

In conclusion, without authorization from canon copyright owners, fan works likely constitute prima facie infringement.[96] Given protection for characters, plots, and settings from canon works, fan works that misappropriate these elements will encroach upon protected copyrighted subject matter. Furthermore, fan works likely infringe upon the reproduction right, the derivative work right, or both. Regardless of the exact nature of the infringement, the establishment of these two elements is sufficient for a canon copyright owner to establish a prima facie case of infringement for an unauthorized fan work.

B. The Scope of Rights for Fan Authors

1. The Rights of Derivative Work Authors Under §103

Even if derivative work authors misappropriate protected elements, that alone is not fatal to protecting their own creative contributions. The Copyright Act specifically protects original contributions to derivative works in Section 103.[97] However, the protection afforded derivative works in Section 103 is relatively thin: it does not extend to "any part of the work in which material has been used unlawfully."[98] Instead, copyright protection for derivative works "extends only to the material contributed by the author of such work . . . *independent of* . . . any copyright protection in the preexisting material."[99] While the protection may be limited, Section 103 indicates that courts will protect the original contributions of fan authors in derivative works.[100]

Bank v. Houghton Mifflin Co., 268 F.3d 1257, 1265–67 (11th Cir. 2001).

[94] *Frequently Asked Questions (and Answers) About Fan Fiction*, *supra* note 80.

[95] See 17 U.S.C. § 101 (2010) for the definition of "derivative work."

[96] Only unauthorized works will be considered infringing. *See* Castle Rock Entm't v. Carol Publ'g Grp., 150 F.3d 132, 143 n.9 (2d Cir. 1998).

[97] 17 U.S.C. § 103 (2006).

[98] *Id.* § 103(a).

[99] *Id.* § 103(b) (emphasis added).

[100] AARON SCHWABACH, FAN FICTION AND COPYRIGHT: OUTSIDER WORK AND INTELLECTUAL PROPERTY PROTECTION 133 (2011) ("If the first fanfic makes lawful use of the underlying work, however, it is copyrighted, as far as (but only as far as) any original contribution by the fanfic author . . . . [W]here a fanfic is a parody or makes transformative

For example, the Seventh Circuit found that Neil Gaiman's medieval interpretation of the character Spawn was protected as a derivative work.[101] Todd McFarlane created the original character Spawn, a deceased man named Al Simmons who had returned to Earth posthumously thanks to a pact he had made with the devil.[102] In order to boost the writing quality of the Spawn series, MacFarlane invited Gaiman to write a script for an issue of Spawn.[103] In the resulting product, *Spawn No. 9*, Gaiman created Medieval Spawn, a version of Macfarlane's Spawn who talked "medieval" and looked like a knight.[104] In protecting Medieval Spawn as a derivative work of Spawn, Judge Richard Posner identified the two policy interests counseling against protecting derivative works: courts' interest in "avoid[ing] the confusion that would be created if two indistinguishable works were copyrighted, and [preventing] a copyright owner from extending his copyright beyond the statutory period."[105] Ultimately, the Seventh Circuit determined that neither of these policy concerns applied in the case at hand, and that Medieval Spawn was sufficiently distinctive from original Spawn to warrant protection.[106]

The result in *Gaiman v. MacFarlane* indicates that a court's willingness to protect derivative works hinges on how distinctive the works are from the original. In making this determination, the Ninth Circuit employs the *Durham* test.[107] For courts to protect a derivative work under *Durham*, the added originality to the derivative work must be more than trivial.[108] In addition, the original elements in the derivative work must not affect copyright protection for any preexisting copyrighted material.[109] Fan works would likely survive the first prong *Durham* test due to their originality: most fan works mainly consist of original contributions that exceed the threshold of triviality.[110] Arguably, fan works that "reinvent" characters are analogous to Gaiman's

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or otherwise fair use of the underlying material, those elements of the fanfic that are the original work of the fan author are themselves protected, and, absent an assignment or transfer of copyright to a third party, that copyright is the property of the fan author.").

[101] Gaiman v. MacFarlane, 360 F.3d 644, 662 (7th Cir. 2004).

[102] *Id*. at 649.

[103] *Id*.

[104] *Id*. at 650, 657.

[105] *Id*. at 661.

[106] *Id*. at 662 ("A Spawn who talks medieval and has a knight's costume would infringe Medieval Spawn, and if he doesn't talk medieval and doesn't look like a knight then he would infringe Spawn.").

[107] Entm't Research Grp. v. Genesis Creative Grp., 122 F.3d 1211, 1220 (9th Cir. 1997).

[108] *Id*.

[109] *Id*.

[110] Tushnet, *Legal Fictions*, *supra* note 7, at 654 ("[F]an fiction involves the productive addition of creative labor to a copyright holder's characters.").

"olden times" interpretation of Medieval Spawn: fans' interpretations of copyrighted characters and subjects are often distinct from canon versions.[111] In *Entertainment Research Group v. Genesis Creative Group*, the Ninth Circuit found that the creation of costumes based on popular copyrighted characters (such as Barney) was not sufficiently original to warrant protection.[112] That case turned on application of the second prong of the *Durham* test, as the court found that granting copyright protection to the costumes as derivative works would affect the copyright owner's rights by granting the derivative work holder a "de facto monopoly on all inflatable costumes depicting the copyrighted characters."[113]

Unlike *Entertainment Research Group*, however, it is unlikely that protecting fan works under Section 103 would result in de facto monopolies due to the nature of the canon/fan contribution distinction.[114] Fan works can result in unlimited, coexisting parallel universes, which do not infringe upon one another and do not affect the integrity of the canon work.[115] As a result, it is unlikely that granting copyrights to fan works sufficiently distinct from the originals would affect the scope of rights for the canon copyright owners. Much like how Gaiman's Spawn variation is distinct from the original Spawn character, a fan could assert rights in their derivative variations of canon characters without affecting the scope of rights for the canon copyright owner.

The *Durham* test is not the sole test by which courts test the protection of derivative works.[116] The result in *Gracen v. Bradford Exchange* seems to indicate that the Seventh Circuit employs a more stringent standard than the Ninth Circuit.[117] In that case, the court held that an original painting of Dorothy from *The Wizard of Oz*, inspired from (but not directly copying) a photo still from the movie, did not possess sufficient originality to warrant protection.[118] In that case, *The Wizard of Oz*'s copyright owner solicited art submissions for an art contest.[119] The plaintiff, Gracen, created the winning submission, but refused to agree to the terms of the contract.[120] Her painting used an image of Dorothy from the movie as inspiration, but she created the

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[111] For example, uber fiction does such reinvention. *Fan Fiction*, *supra* note 30.

[112] *Entm't Research Grp.*, 122 F.3d at 1224.

[113] *Id.*

[114] Tushnet, *Payment in Credit*, *supra* note 6, at 144.

[115] *See id.*

[116] *See* Gracen v. Bradford Exchange, 698 F.2d 300 (7th Cir. 1983) (finding that an original painting of Dorothy from the Wizard of Oz was not sufficiently original to warrant protection).

[117] *See id.*

[118] *Id.* at 305.

[119] *Id.* at 301.

[120] *Id.*

backdrop of the painting from her imagination.[121] As a result, the final product did not imitate any exact image from the movie, but was a derivative work of *The Wizard of Oz*.[122] Despite the fact that Gracen's rendering of Dorothy had significant creative contributions, the court ultimately held that Gracen's work did not satisfy the standard that "a derivative work must be substantially different from the underlying work to be copyrightable."[123] This refusal to grant copyright protection indicates a high threshold of creativity to trigger protection for derivative works.[124] Like Gracen's painting, fan works generally do not take exact reproductions from copyrighted works, but rather reinterpret new works with added original contributions.[125] Given that Gracen's painting was insufficient to warrant protection, courts may similarly deny fan works protection.

Ultimately, the results in *Entertainment Research Group*, *Gracen*, and *Gaiman* indicate an unresolved tension regarding the scope of Section 103. Although the Seventh Circuit decided both *Gracen* and *Gaiman*, their results are almost at odds with one another.[126] Given the level of originality that accompanied the plaintiff's work in *Gracen*, it seem as though derivative fan works that "reimagine" and add a significant amount of creativity are still denied protection.[127] As a result, fan authors creating derivative works may instead have to rely upon the fair use defenses to justify their use of copyrighted elements.[128]

2. The Fair Use Doctrine

Although Section 103 may not provide very rigorous protection for derivative works, the fair use doctrine may provide a way for fans to use copyrighted materials.[129] Even if a fan "misappropriates" copyrighted elements of canon works, if such uses are fair, they will not be considered an infringement: under Section 107, "the fair use of a copyrighted work . . . is not an infringement of copyright."[130] Section 107 sets forth four non-exhaustive statutory factors to help courts determine when a particular use is fair: the

[121] *Id*.

[122] *Id*.

[123] *Id*. at 305.

[124] *See id*.

[125] Tushnet, *Payment in Credit*, *supra* note 6, at 144.

[126] *Compare Gracen*, 698 F.2d 300, 300 (not protecting an entirely invented artwork of Dorothy), *with* Gaiman v. McFarlane, 360 F.3d 644, 645 (7th Cir. 2004) (protecting a "medieval" version of Spawn).

[127] *See* Tushnet, *Payment in Credit*, *supra* note 6, at 138.

[128] 17 U.S.C. § 107 (2010).

[129] *See* Tushnet, *Legal Fictions*, *supra* note 7, at 658–59.

[130] 17 U.S.C. § 107 (2006).

purpose and character of the use, the nature of the copyrighted work, the amount and substantiality of the copyrighted work used, and the effect on potential markets.[131] No one factor is dispositive in determining the outcome of a fair use case, and courts are also free to consider other factors they deem important.[132] This Part examines the application of each of these factors with respect to fan merchandise.

i. The Purpose and Character of the Use

The first factor of the statute is "the purpose and character of use, including whether such use is of a commercial nature or is for nonprofit educational purposes."[133] In applying this factor, courts have found whether the use was commercial a particularly salient issue.[134] In the *Sony* case, the Supreme Court went so far as to assert that "every commercial use of copyrighted material is presumptively unfair."[135] This presumption would impose a very high burden on defendants whose uses are commercial to establish a fair use. Furthermore, this presumption would likely apply to all fan merchandise, which is by definition sold for commercial profit. However, in cases after *Sony*, the Supreme Court seems to have retreated from this bold assertion.[136] In *Campbell v. Acuff-Rose*, for instance, the Court specifically noted that when derivative works are particularly transformative, commerciality will not bar a finding of fair use.[137] Given that this language indicates that a work's transformative nature can mitigate the effect of commerciality, the finding of fair use in *Campbell* indicates that the presumption of unfairness no longer exists.[138]

To sufficiently override a work's commerciality, transformation requires more than merely "supersed[ing] the objects of the original work."[139] The new work must have "add[ed] something new, with a further purpose or different

[131] *Id*.

[132] As used in the statute, the term "including" is illustrative and not limitative. *See* 17 U.S.C. § 101 (2010).

[133] *Id*. § 107(1).

[134] *See* Sony Corp. of Am. v. Universal City Studios, 464 U.S. 417, 448 (1984).

[135] *Id*. at 449.

[136] *See* Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569 (1994) (finding that a commercial parody of "Pretty Woman," was not presumptively not a fair use); Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257 (11th Cir. 2001) (finding THE WIND DONE GONE, a retelling of GONE WITH THE WIND, was a fair use).

[137] *Campbell*, 510 U.S.at 569 ("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.").

[138] The song at issue in *Campbell* was sold for commercial profit. *Id*. at 572.

[139] *Id*. at 576.

character, altering the first [original work] with the new expression, meaning or message."[140] Under the *Campbell* balancing test between commerciality and transformation, it would appear as though the transformative nature of fan merchandise should support a finding of fair use.[141] While fan merchandise is commercial, the fan authors' added creativity supports a finding of significant transformation.[142] Professor Rebecca Tushnet has written that fan creators add enough originality to warrant protection and thus distinguish themselves from infringers "by identifying themselves as authors who have expanded the meanings present in the original."[143] Returning to the example of *The Wind Done Gone*, the Eleventh Circuit found that Randall's use of Mitchell's copyrighted characters was sufficiently transformative to warrant a finding of fair use.[144] Like many stereotypical fan works, Randall's *The Wind Done Gone* depends upon reference to the canon work yet still expands upon copyrighted elements from Randall's creative contribution.[145] Randall needed to take numerous copyrighted elements from *Gone with the Wind* to achieve her intended effect of criticizing and commenting upon the original story.[146] Ultimately, Randall's significant original contributions supported a finding that the use was "transformative" and thus fair.[147] For many fan authors, the addition of original contributions in fan works creates a work which "[w]hile told from a different perspective . . . transformed [the story] into a very different tale."[148] Although fan works employ copyrighted characters and plot elements from the canon work, fan authors contribute a significant amount of originality by placing "familiar characters and situations in new contexts."[149]

Thus, just as the courts found *The Wind Done Gone* was a fair use despite its commerciality, courts should also find transformative fan works fair uses.[150] The level of transformation in fan merchandise should be considered significant enough to outweigh their commercial nature. As a result, in

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[140] *Id*. at 579.

[141] *See* Tushnet, *Legal Fictions*, *supra* note 7, at 665.

[142] *Campbell*, 510 U.S. at 579.

[143] *See* Tushnet, *Payment in Credit*, *supra* note 6, at 137.

[144] *See* Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257 (11th Cir. 2001).

[145] *Id*.

[146] *Id*. at 1267. The court noted that *The Wind Done Gone* took fifteen fictional characters from Mitchell's original and incorporated those character's original physical attributes, mannerisms, distinct features, and their relationships with each other, and also noted that the fictional locales, settings, characters, themes, and plot generally closely mirrored those in *Gone with the Wind*. *Id*. at 1266.

[147] *Id*. at 1271.

[148] *Id*. at 1270.

[149] *See* Tushnet, *Payment in Credit*, *supra* note 6, at 138.

[150] *See Suntrust Bank*, 268 F.3d at 1270.

applying the *Campbell* balancing test, this factor should weigh in favor of finding fan merchandise fair use.

ii. The Nature of the Copyrighted Work

The second statutory factor is "the nature of the copyrighted work."[151] In applying this factor, courts have held that copyright should more rigorously protect works that are "closer to the core of intended copyright protection."[152] The stronger the copyright protection for the original work, the more heavily this factor weighs in favor of the author of the original work.[153] As a result, courts tend to protect fictional works more strongly than factual works or works that draw heavily from the public domain.[154]

Most works that inspire fan works are fictional works at the core of copyright protection.[155] Additionally, most canon works that inspire fan fiction tend to fall within one of several categories: anime or manga, books, television series, video games, movies, cartoons, comic books, or plays.[156] Of these, pop culture works such as television shows, movies, and books are the most popular type of fandom.[157] These works, in particular, are truly at the "core of copyright protection," as they generally involve fictional works.[158] Due to the nature of most canon works, this factor will likely weigh against finding fair use for fan works.

iii. The Amount and Substantiality Taken

The third statutory factor is "the amount and substantiality of the portion

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[151] 17 U.S.C. § 107(2) (2010).

[152] Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 586 (1994).

[153] *Id.*

[154] Castle Rock Entm't v. Carol Publ'g Grp., 150 F.3d 132, 143–44 (1998).

[155] "Major genres of fan fiction include those based on: Japanese anime/manga series; the book series Animorphs by K. A. Applegate, J.K. Rowling's *Harry Potter* series; J.R.R. Tolkien's *The Lord of the Rings;* science fiction serials (both on television and in film); other serial television (dramatic and even comedic); American cartoon series, such as *Daria*, and both DC Comics and Marvel Comics. Popular television series which have inspired fanfic include *Star Trek, Starsky and Hutch, The X-Files, Buffy the Vampire Slayer,* and "CSI". Even video games, such as the *Final Fantasy* and *Street Fighter* series, have become sources. It is also relevant to consider the formalised *shared universe* where the originating author actively encourages others to contribute to the development of the whole." *Fan Fiction*, *supra* note 30. All of these listed fandoms are fictional television and book series, which remain within the core of copyright protection.

[156] *Fan Fiction Statistics*, *supra* note 33.

[157] *Id.*

[158] Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 586 (1994).

used in relation to the copyrighted work as a whole."[159] One way to streamline this factor's inquiry is to consider whether the appropriated elements were "consistent with or more than necessary to further 'the purpose and character of the use.'"[160] However, in determining whether the misappropriated amount was necessary to achieve the intended effect, courts should be cautious not to substitute the artistic judgment of "what was necessary" for legal judgment of whether what was taken was "too much."[161]

Using parody as an example, courts should not determine whether the amount of misappropriated elements was superfluous for achieving the parodic effect.[162] To do so would substitute artistic judgment for legal judgment.[163] Similarly, when determining whether fair use extends to fan works, courts should not consider whether the amount of misappropriated copyrighted material was superfluous to achieving the fan author's goal.[164] Like parodies, fan works depend upon reference to the canon work.[165] As the court in *Suntrust* noted regarding Randall's appropriation of elements from *Gone with the Wind*, courts should not judge whether the author took "too much."[166] Such inquiries would be questions of artistic judgment about what is necessary to achieve the required allusions, not legal judgments. Similarly, in applying this factor to derivative fan works, courts should be careful not to substitute their artistic judgment for legal judgment.

Given the variety of types of fan works that exist, the weight of the third statutory factor may vary significantly. On one end of the spectrum is fan fiction, which often appropriates characters, worlds, or histories from a copyrighted canonical work.[167] On the other end are fan videos, where the only added originality is a unique compilation of protected images and

[159] 17 U.S.C. § 107(3) (2010).

[160] Castle Rock Entm't v. Carol Publ'g Grp., 150 F.3d 132, 144 (1998).

[161] *See* Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257, 1273 (11th Cir. 2001) ("In doing so, we are reminded that literary relevance is a highly subjective analysis ill-suited for judicial inquiry.").

[162] *Id.*

[163] The Holmsian non-discrimination principle was set forth in *Bleistein*. There, Justice Holmes noted that "[i]t would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of pictorial illustrations." Bleisten v. Donaldson Lithographing Co., 188 U.S. 239, 251 (1903). In other words, judges should not substitute their artistic judgment for their legal judgments.

[164] *Suntrust Bank*, 268 F.3d at 1273 ("[W]e are reminded that literary relevance is a highly subjective analysis ill-suited for judicial inquiry.").

[165] *See* Tushnet, *Payment in Credit*, *supra* note 6, at 137.

[166] *Suntrust Bank*, 268 F.3d at 1273.

[167] *Frequently Asked Questions (and Answers) About Fan Fiction*, *supra* note 80.

videos.[168] Because the only originality in such fan video compilations is the compilation, ,rather than an original story or character (such as in fan fiction), the third factor may cut against protection for fan video compilations. As a result, the level of protection fan works receive may vary depending on the underlying nature of the fan work.

iv. The Effect on the Market for the Canonical Work

The final factor asks courts to consider "the effect of the use upon the potential market for or value of the copyrighted work."[169] Courts have expanded the fourth factor inquiry beyond the market for the copyrighted work and have included the effect upon derivative work markets in their inquiry.[170] As a result, unauthorized works that negatively affect the potential market for derivative works may not be fair uses. Even though authors may not always intend to develop derivative work markets, almost any fan work could conceivably compete with any *potential* derivative works the author eventually chooses to develop.[171] The *Campbell* Court has somewhat restrained this by noting that "[t]he market for potential derivative uses includes only those that creators of original works would in *general develop or license others to develop*."[172] Therefore, the relevant inquiry isn't any potential derivative markets, but only those that the copyright owner is likely to develop. As a result, the weight of this factor would depend upon the copyright owner's plans for developing derivative markets.

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In conclusion, the application of current fair use doctrine is uncertain with respect to fan works. Although the first factor may weigh in favor of finding fair use, the commercial nature of fan merchandise may counsel against fair use. Furthermore, the second factor weighs quite firmly against finding fair use given that most canon material is within the core of copyright protection. It is difficult to determine the third and fourth factors across the board, as the application of each of these factors may vary from case to case. As a result, it would seem as though the application of current fair use doctrine to fan merchandise is uncertain. The remainder of this Note argues that in order to best serve copyright's overall goals of promoting "Progress," courts should tailor their fair use analysis such that the creation of fan merchandise is

[168] Logan Hill, *The Vidder: Luminosity Upgrades Fan Video*, NEW YORK MAGAZINE (Nov. 12, 2007), http://nymag.com/movies/features/videos/40622/.

[169] 17 U.S.C. § 107(4) (2010).

[170] Harper & Row, Publishers v. Nation Enters., 471 U.S. 539, 568 (1985).

[171] *Id.*

[172] Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 592 (1994) (emphasis added).

considered a fair use.

III. COPYRIGHT LAW AND THE PROMOTION OF PROGRESS

As the Constitution states, the ultimate goal of the Copyright Act is to "promote the Progress of the useful Arts and Sciences."[173] However, as this Part demonstrates, defining how to best achieve this goal of "promoting Progress" is not a simple inquiry. Broadly speaking, most commentators agree that Progress should speak to a general societal goal of "the advancement and dissemination of culture and knowledge,"[174] or alternatively, the production of a socially optimal number of works.[175] While these definitions may differ in focus, they both indicate that the creation of works is essential to the promotion of Progress. This Part discusses competing theories of maximizing the creation of works to best promote Progress.

One theory of ensuring that authors will create works is to vigorously protect authors' incentives to create by protecting their economic interests.[176] Another competing theory is to ensure the accessibility of the building blocks of creation.[177] Copyright doctrine addresses both of these theories in turn. This Part first discusses how copyright's provision of legal rights to authors protects the economic incentives of authors. Then, this Part examines how doctrinal tools such as the public domain, the idea/expression distinction, durational limits, and finally, the fair use doctrine, ensure that future creators will have access to the building blocks of creation. While these theories are in direct competition, this Part ultimately concludes that courts would best serve the interests of Progress by striking a balance between these approaches.

A. Economic Incentives

Because copyrightable works are intangible goods, it is necessary to provide legal rights to authors to preserve economic incentives to create.[178] Owners of tangible goods, like a piece of land, can easily control access to and distribution of their goods.[179] For example, controlling a tangible good such as real property is as simple as installing a fence. In contrast, intangible goods

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[173] U.S. CONST. art I, § 8, cl. 8.

[174] Gordon, *Fair Use as Market Failure*, *supra* note 14, at 1602.

[175] Glynn S. Lunney, Jr., *Copyright, Derivative Works, and the Economics of Complements*, 12 VAND. J. ENT. & TECH. L. 779, 790–91 (2010) [hereinafter Lunney, *Economics of Complements*].

[176] *See* WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW (2003).

[177] *See* Jessica Litman, *The Public Domain*, 39 EMORY L.J. 965 (1990).

[178] Gordon, *Fair Use as Market Failure*, *supra* note 14, at 1602.

[179] LANDES & POSNER, *supra* note 176, at 19.

that you cannot touch, feel, or see are more difficult to physically control. Intangible works of authorship like a song's melody, the words of a poem, or lines that form an image, can certainly manifest in physical reproductions, but their true form is immaterial.

Unlike natural resources, which eventually deplete to nonexistence, multiple consumers can "use" an intangible work of authorship without exhausting it.[180] This quality of inexhaustibility makes intangible goods "nonrivalrous:" individuals can create unlimited reproductions without causing the value of the intangible good to depreciate.[181] Because intangible goods are difficult to physically control and are inexhaustible, it is difficult for authors to "(cheaply) exclude competitors" without legal remedies.[182]

This inability makes free riding from competitors a significant threat to author incentives to create.[183] Intangible goods like copyrighted works have high initial costs.[184] Without the legal rights that the copyright system imposes, free riders could reproduce the author's work without repercussion.[185] Without an obligation for such free riders to reimburse the author, these free riders could underprice the author.[186] Consumers will naturally purchase the lower-priced good, leaving authors unable to recapture their investment.[187] Although economic incentives are not the sole motivations for authors to create, an inability to fully recapture profits would likely result in decreased productivity, given an inability to fully recapture profits combined with an author's opportunity costs.[188] Without a system of rights, the free market would essentially require authors to operate at a loss.[189]

It is in the copyright system's best interests to protect author incentives to ensure that authors will continue to create.[190] By granting exclusive rights in

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[180] *Id*. at 20.

[181] Gordon, *Fair Use as Market Failure*, *supra* note 14, at 1611.

[182] Michael J. Madison et al., *Constructing Commons in the Cultural Environment*, 95 CORNELL L. REV. 657, 666 (2010).

[183] *Id*.

[184] Richard A. Posner, *Intellectual Property: The Law and Economics Approach*, 19 J. ECON. PERSP. 57, 58 (2005). For example, with a literary work which has not been commissioned, the cost of supplies as well as the opportunity cost of foregone time spent writing instead of earning money elsewhere are a high cost to the writer. At least with respect to financial incentives, it would be a better use of the writer's time to get a job rather than spend money writing a novel she may be unable to sell in the future.

[185] LANDES & POSNER, *supra* note 176, at 40.

[186] *Id*.

[187] *Id*.

[188] *Id*.

[189] *Id*.

[190] According to Judge Posner, "[t]he traditional focus of economic analysis of

Section 106 to the author/copyright owner, copyright protects author incentives by giving authors a right and a remedy against free riders.[191] Although the existence of a legal right does not per se guarantee that free riding will be eradicated, rights will deter potential free riders.[192] As a result, "[a]uthors will be encouraged to produce and distribute new works because the copyright laws give authors the means of being paid for their efforts."[193] Without such a guarantee to maintain economic control, authors may have little economic incentive to create.[194] Failing to provide potential authors with incentives to create would likely lower the number of works in the market, and ultimately stifle Progress.[195]

B. Providing Access to Creative Materials

Although protecting authors' economic incentives is important to preserve individual incentives to create, protecting authors' interests to the exclusion of all else would ultimately stifle Progress.[196] Professor Jessica Litman rejects "the charming notion that authors creates something from nothing" in favor of the position that "the process of adapting, transforming, and recombining what is already 'out there' . . . is the essence of authorship."[197] Almost every copyrighted work uses elements from the public domain.[198] It would be difficult to write a story without employing *scènes à faire*, stock characters, and common themes in creative works.[199] By providing fodder for new material, the public domain is a vital source of inspiration.[200] Many authors in the English literary tradition have taken source material from biblical tales or Greco-Roman mythology.[201] For example, Milton's renowned *Paradise Lost* retells sections of the Holy Bible, and Shakespeare's *Romeo and Juliet* retells

intellectual property has been on reconciling incentives for producing such property with concerns about restricting access to it by granting exclusive rights in intellectual goods." Posner, *supra* note 184, at 57.

[191] Glynn S. Lunney, Jr., *Fair Use and Market Failure:* Sony *Revisited*, 82 B.U. L. REV. 975, 987 (2002) [hereinafter Lunney, *Fair Use and Market Failure*].

[192] *See* Gordon, *Fair Use as Market Failure*, *supra* note 14, at 1611–12.

[193] *Id*. at 1602.

[194] *Id*. at 1610.

[195] *Id*.

[196] *See* Posner, *supra* note 184, at 65.

[197] Litman, *supra* note 177, at 965, 967.

[198] Wendy Gordon, *Render Copyright Unto Caesar: On Taking Incentives Seriously*, 71 U. CHI. L. REV. 75, 78 (2004) [hereinafter Gordon, *Render Copyright Unto Caesar*].

[199] NIMMER & NIMMER, *supra* note 69, at § 13.03[B][4].

[200] Wendy Gordon, *Fair Use Markets: On Weighing Potential License Fees*, 79 GEO.WASH. L. REV. 1814, 1815 (2011) [hereinafter Gordon, *Fair Use Markets*].

[201] LANDES & POSNER, *supra* note 176, at 66–67.

the Greek myth Pyramus and Thisbe.[202] Aggressively protecting author incentives without considering how the public domain provides access to the building blocks of expression may ultimately hinder, rather than promote, Progress.[203] Accessibility to the public domain is essential to continuing new creative works.[204]

Copyright doctrine has several mechanisms to ensure that the necessary building blocks for new creation are available to future creators. One such mechanism is the durational limits on copyright protection.[205] Although the Constitution provides "exclusive Right[s]" to authors and inventors, these rights are subject to the restriction of "limited Times."[206] Under current copyright law, most works of authorship will remain under the aegis of copyright until seventy years after the author has died.[207] At that point, the work will pass into the public domain. The Copyright Act establishes these limitations in Section 302 through 305, which detail the rules governing copyright duration.[208] By imposing limited durational protection for intellectual property, the Founders ensured that intellectual property would pass from authorial control into the public domain.[209]

In addition to imposing durational limits, copyright's idea/expression distinction relegates ideas, facts, theories and other unprotected elements to the public domain.[210] This distinction leaves conceptual building blocks available to the public.[211] For example, *scènes à faire* and stock characters are unprotected ideas necessary for new creation.[212] If these ideas were protected, then "it would be difficult to write successful works of fiction without negotiating for dozens or hundreds of copyright licenses."[213] Where overzealous protection would stifle Progress by locking up copyrighted material, preserving a robust public domain promotes Progress by permitting

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[202] *Id*. at 67.

[203] White v. Samsung Elecs. Am., Inc., 989 F.2d 1512, 1513 (9th Cir. 1993) (Kozinski, J., dissenting from denial of rehearing en banc).

[204] Gordon, *Fair Use Markets*, *supra* note 200, at 1815.

[205] 17 U.S.C. §§ 302–305 (2006).

[206] U.S. CONST. art. I, § 8, cl. 8.

[207] 17 U.S.C. § 302 (2006).

[208] *Id*. §§ 302–305.

[209] *See* Litman, *supra* note 177, at 975–76.

[210] 17 U.S.C. § 102(b) (2006).

[211] Posner, *supra* note 184, at 60 ("Most creators of expressive works—whether novels, films, musical compositions, paintings or works of nonfiction, such as histories—borrow very heavily from earlier expressive works.").

[212] Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257, 1266 (11th Cir. 2001).

[213] Gaiman v. McFarlane, 360 F.3d 644, 660 (7th Cir. 2004).

public access to necessary creative building blocks.[214]

In addition to these doctrinal mechanisms, the fair use doctrine operates as a back door to the public domain by permitting access to materials that are already "locked up" under copyright protection.[215] By finding uses that would otherwise constitute infringement, the fair use doctrine permits access when permitting such use would benefit society.[216] If courts find that certain uses are fair, these uses relegate copyrighted material to the public domain for that particular use, permitting the secondary user to create a new work.[217]

Western literature has a rich tradition of borrowing from its predecessors.[218] As Professor Pierre Leval noted, "[t]here is no such thing as a wholly original thought or invention. Each advance stands on the building blocks fashioned by prior thinkers."[219] Limiting access to these necessary building blocks comes with the threat of stifling Progress.[220] Professor Wendy Gordon expressed concern that modern copyright regulations may cause the tradition of building upon earlier stories to perish.[221] Citing to the literary tradition of building upon the past, Professor Gordon's notes that "[a]ll artists create using much that they have not themselves created," and argues that since "predecessors also built upon tradition, the claim that they can rightfully assert against the makers of later art should be limited."[222] Ultimately, Gordon posits that "freedom from copyright is also likely to benefit authors in the long run, as evidenced by the long tradition among fine artists and composers of tolerating each other's uses."[223] Granting the author an absolute monopoly, and thus locking up materials that can potentially inspire newer works, ultimately provides roadblocks to Progress.[224]

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Both protecting author incentives and providing access to creative materials are essential to the creation of new works and thus the promotion of

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[214] Lunney, *Economics of Complements*, *supra* note 175, at 781 ("Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before.").

[215] Litman, *supra* note 177, at 1005–06.

[216] Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1106–10 (1990).

[217] *Id*.

[218] LANDES & POSNER, *supra* note 176, at 66–67.

[219] Leval, *supra* note 216, at 1109.

[220] Posner, *supra* note 184, at 65.

[221] Gordon, *Render Copyright Unto Caesar*, *supra* note 198, at 78, 85.

[222] *Id*. at 78.

[223] *Id*. at 85.

[224] Posner, *supra* note 184, at 65.

Progress.[225] Satisfying both of these interests plays an important role in promoting Progress.[226] Granting authors monopolies over their work ensures them that they can recapture their investments.[227] However, as important as author incentives are, the copyright act should not grant authors absolute rights in their works, in order to permit access to creative building blocks.[228] Such access is essential to the promotion of Progress, as future creation is dependent on how later authors "receive images, tales, language, and structure from the past."[229] Overprotecting copyright in order to protect author incentives may protect current authors at the expense of future creations.[230] At the same time, under-protecting copyright in order to provide an overly robust public domain may diminish both current and future authors' incentives to create.[231] Although many, if not most, authors are not solely motivated by economic profit, an ultimate inability to recapture profits may make the opportunity costs of creating such works too high to realistically pursue.

In order to establish the optimal level of copyright protection, courts should strike a balance between these two interests. As Professor Leval noted, "[t]he stimulation of creative thought and authorship for the benefit of society depends assuredly on the protection of the author's monopoly. But it depends equally on the recognition that the monopoly must have limits."[232] While author incentives are important, and copyright law should protect author's interests, "[o]ver protecting intellectual property is as harmful as under-protecting it . . . [o]ver-protection stifles the very creative forces it's supposed to nurture."[233] Courts should not consider author incentives to the exclusion of the public interest, or vice versa. Instead, as Professor Wendy Gordon urges, courts should use a balancing test that takes into account both supply-side interests of incentives to create works of authorship and demand-side interests such as secondary users' incentives to use works and create derivative works based upon them.[234] The next Part of this Note argues that the best way to achieve this balance with respect to fan works is to provide fair use exceptions for certain types of fan works.

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[225] Lunney, *Fair Use and Market Failure*, *supra* note 191, at 994–95.

[226] Lydia Pallas Loren, *Redefining the Market Failure Approach to Fair Use in an Era of Copyright Permission Systems*, 5 J. INTELL. PROP. L. 1, 57 (1997).

[227] *See supra* Part III.B.

[228] Gordon, *Render Copyright Unto Caesar*, *supra* note 198, at 77.

[229] *Id.*

[230] *Id.*

[231] *Id.*

[232] Leval, *supra* note 216, at 1136.

[233] White v. Samsung Elecs. Am., Inc., 989 F.2d 1512, 1513 (9th Cir. 1993).

[234] Gordon, *Fair Use Markets*, *supra* note 200, at 1835–36.

IV. BALANCING COMPETING "PROGRESS" INTERESTS BY TAILORING THE FAIR USE DOCTRINE

In applying fair use analysis, courts should recall that "'[t]he ultimate test of fair use . . . is whether the copyright law's goal of promoting the Progress of Science and useful Arts would be better served by allowing the use than by preventing it.'"[235] This Part proposes that one way to best promote Progress is to balance the dually important interests of protecting authors' economic incentives and providing access to creative materials by tailoring the fair use exception. Tailoring the fair use exception would adequately protect author incentives, because it would not affect the scope of rights for copyright owners of original works under Sections 102 and 103.[236] At the same time, it would free up otherwise 'locked up' materials protected under copyright where permitting specific uses would best serve the promotion of Progress.

Fan merchandise likely constitutes a prima facie copyright infringement.[237] In addition, under current fair use doctrine, it is likely that fan merchandise would not be considered a fair use.[238] This Part posits that current fair use doctrine should be tailored such that courts consider uses (such as fan merchandise) fair when such uses are complementary to the copyrighted work or when such uses respond to market failure. Although this would require a change in current fair use doctrine, such an alteration is justified because it better serves copyright's goal of Progress than does the current fair use scheme.

A. Courts Should Consider Fan-Created Merchandise Fair Uses When They Serve as Economic Complements to the Canonical Works and Not Substitutes.

The fourth fair use factor analysis does not explicitly include whether an allegedly infringing use is a complement or a substitute in its inquiry.[239] Complements do not replace demand for or compete with the original work—in some cases complements may even increase demand for the original.[240] One example of a complement in the context of copyrightable works would be

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[235] Bill Graham Archives v. Dorling Kindersley Ltd., 448 F.3d 605, 608 (2d Cir. 2006) (quoting Castle Rock Entm't v. Carol Publ'g Grp., 150 F.3d 132, 141 (2d Cir.1998)).

[236] Fair use is a defense, and would not affect the prima facie analysis to determine infringement.

[237] *See supra* Part II.A.

[238] *See supra* Part II.B.

[239] The sole text of the fourth factor is "the effect of the use upon the potential market for or value of the copyrighted work." 17 U.S.C. §107(4) (2010).

[240] Lunney, *Economics of Complements*, *supra* note 175, at 782.

"a movie based on [a] play" or book.[241] It is often the case that when books or plays are adapted into movies, the source work receives boosts in sales and consumer attention.[242] In contrast, substitutes often replace demand for and directly compete with the original.[243] The analogous example of a substitute in the context of copyrightable works would be "a play based upon another play [which] would likely compete with or substitute for the original work."[244] This Part ultimately argues that where the use of an original work is a complement and not a substitute, courts should find that the use is fair.

Determining whether a use is complementary or substitutionary may significantly affect the fourth fair use factor analysis. When determining the effect upon the market, courts have interpreted the relevant kind of harm as substitutionary, and not complementary.[245] As Professor Leval wrote, "[t]he fourth factor disfavors a finding of fair use only when the market is impaired because the quoted material serves the consumer as a *substitute*, or, in Story's words, 'supersede[s] the use of the original.' Only to that extent are the purposes of copyright implicated."[246] The *Campbell* Court echoed this focus on substitutionary, rather than complementary, effects in determining the fourth factor analysis on the basis of whether the parody "serve[d] as a market substitute for the original or potentially licensed derivatives."[247]

Substitutionary derivative works are works that directly compete with the potential derivative work market authorized by the canon copyright author.[248] Returning to *The Wind Done Gone*, imagine if Margaret Mitchell had survived to publish a novel retelling *Gone with the Wind* from the perspective of a slave at Tara. *The Wind Done Gone* in this case is clearly a substitutionary derivative work, because it would have directly competed with Mitchell's retelling and negatively impacted *Gone with the Wind*'s authorized derivative good market. While substitutes will directly compete with the original work, complementary derivative works may even increase demand for the original.[249]

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[241] *Id*.

[242] Lisa Respers France, *Movies Based on Books Increase Book Sales*, MARQUEE BLOG (Aug. 12, 2010, 9:59 AM), http://marquee.blogs.cnn.com/2010/08/12/movies-based-on-books-increase-book-sales/.

[243] Lunney, *Economics of Complements*, *supra* note 175, at 782.

[244] *Id*.

[245] Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 598 (1994) ("[T]he Court acknowledges that it is legitimate for parody to suppress demand for the original by its critical effect. What it may not do is usurp demand by its *substitutive* effect." (emphasis added)).

[246] Leval, *supra* note 216, at 1125 (emphasis added).

[247] *Campbell*, 510 U.S. at 587.

[248] *See* Lunney, *Economics of Complements*, *supra* note 175, at 782.

[249] *Id*.

Although substitutes may harm the economic incentives of the original author, complementary works may in fact *further* the interest of Progress by enhancing authors' abilities to recapture profits.[250]

Finding complementary uses fair serves the interest of Progress because permitting such uses would not negatively affect (but may in fact *increase*) author incentives.[251] Furthermore, expanding fair use doctrine to permit complementary works would increase accessibility to creative tools, and encourage the creation of more works. To otherwise suppress complementary uses only works to the detriment of the canon author, the fan author, and Progress in general, as the practice of sampling demonstrates.[252] Sampling is a musical practice where musicians take (i.e. 'sample') audio clips from other musical artists and use them in their own musical works.[253] The practice of sampling is complementary to the original work: 'sampled' audio files expose consumers of the secondary work to the original work.[254] Many of these secondary consumers may be interested in listening to or even purchasing the original work after hearing sampled audio clips.[255] Courts have taken two approaches to sampling: either that *de minimis* uses are permissible,[256] or that sampling without a license, no matter how trivial the taking, is per se infringement.[257] Regardless of the approach, both legal theories require artists to pay licensing fees for any significant use. However, even sampling has increased with the growing popularity of mashups and electronic dance music, rather than resulting in increased licensing fees, artists such as Danger Mouse and Girl Talk instead opt to skirt the law by using unlicensed samples and hope that an interest in creative collaboration will dissuade copyright owners from pursuing legal action.[258] Although this risky practice may work so long as

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[250] *Id*. at 783. Professor Lunney notes that complementary works do not trigger the same anti-free riding concerns that substitutionary works do: "[T]he production of complements will not reduce, as competing substitutes do, the profits or rents available to the original author from sales of her own copies or of access to her original work in its original form." *Id*.

[251] *Id*.

[252] *Id*. at 808.

[253] *Id*.

[254] *See id*.

[255] *See* Note, *A New Spin on Music Sampling: A Case For Fair Pay*, 105 Harv. L. Rev. 726, 738 (1992) ("[A] sample . . . may actually enhance [an original song] by renewing interest in a previous 'hit.'").

[256] *See* Newton v. Diamond, 388 F.3d 1189, 1190 (9th Cir. 2003) (sampling musical compositions).

[257] *See* Bridgeport Music, Inc. v. Dimension Films, 410 F.3d 792, 801 (6th Cir. 2005) (sampling sound recordings).

[258] Jeffrey Omari, *The Digital Sampling of Music Has Stretched the Meaning of the Fair*

artists encourage collaborative sampling, if artists begin to seek more legal enforcement, it will run the risk of stifling creative progress.[259] Similarly, if complementary uses are considered per se infringement, valued creation such as sampling could be stifled to the detriment of Progress. Given the divergent effects of substitutes and complements upon the market, courts should take into account the complement/substitute distinction when determining whether allegedly infringing uses are fair.

However, the determination of whether a use is complementary or substitutionary is not so simple. Professor Frank Pasquale defines complementarity as a phenomenon that occurs "whenever one good enhances [the] demand for another good."[260] But, this definition is problematic, as market demand is not always easy to measure or predict. Therefore, Professor Glynn Lunney's proposal may be a better way to focus the complement/substitute distinction:

> Where the derivative use at issue is not a strong complement, giving the copyright owner a legal right to control that use would likely increase the copyright owner's profits. If, on the other hand, the use at issue is a strong complement, then a legal right to control the use may or may not increase her revenue.[261]

In contrast, prohibiting the creation of substitutionary works would grant copyright owners better control over direct competition and prevent secondary free riders from usurping market share.[262] Because a complement and the original are not in direct competition, a legal ability to prohibit complements will not directly benefit the original work author since it does not threaten the author's market share.[263] According to Judge Posner, requiring permission to create complementary works "would impose a transaction cost with no offsetting benefit."[264] Judge Posner ultimately argued that complementary

Use Doctrine, L.A. LAWYER, 35, 41 (Sept. 2010) ("[I]t is clear that artists from around the globe seem willing to shun legal constraints and work together to pursue that [creative] advancement.").

[259] Miles Rayner, *No Sale = No Defense: From Flosstradamus to Kanye West, Artists Are Learning the Hard Way That They Can Catch Heat for an Uncleared Sample Even if They Give Their Songs Away*, CHI. READER (May 9, 2012), http://www.chicagoreader.com/chicago/flosstradamus-kanye-total-recall-girls-copyright-uncleared-samples-lawsuit/Content?oid=6279842.

[260] Frank Pasquale, *Toward an Ecology of Intellectual Property: Lessons from Environmental Economics for Valuing Copyright's Commons*, 8 YALE J.L. & TECH. 78, 111 (2006).

[261] Lunney, *Economics of Complements*, *supra* note 175, at 794.

[262] *See* Posner, *supra* note 184, at 58–59.

[263] Lunney, *Economics of Complements*, *supra* note 175, at 793.

[264] Posner, *supra* note 184, at 64.

works should be considered fair uses, and substitutionary works should not.[265] Because the economic impetus to grant copyright owners the ability to regulate complementary uses is less compelling, courts should find that a use's complementary nature weighs in favor of finding fair use.

The nature of fan merchandise indicates that it is a complement, and not a substitute.[266] Rather than competing with original works for the attention of consumers, "[f]an works, in part simply because they are not canonical, cannot substitute for the official versions; they can only whet the appetite for more."[267] The strict dichotomy in fan communities between unauthorized fan works and official canon enables parallel interpretations of characters and events to coexist as alternate universes.[268] Fan works can safely explore paths the canon work ignores without supplanting the canon work itself because "such stories are not official, they retain their appeal because the characters return unscathed in the next episode or official form."[269] Instead of usurping or directly competing with the original work's author, fan authors are at liberty to develop their own versions of characters, settings, and events from the canon work.[270]

Furthermore, fans have no creative or economic impetus to directly compete with canon works; without canon, fan authors would never create their fan works.[271] Fan works do not compete with derivative work markets that copyright owners have authorized; fan works have been complementary even where canon authors have developed derivative work markets.[272] Professor Tushnet noted, for example, instances where unauthorized fan fiction coexists with authorized derivative works in *Star Trek* fandom.[273] Despite the

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[265] Ty, Inc. v. Publ'ns Int'l Ltd., 292 F.3d 512, 517 (7th Cir. 2002).

[266] Tushnet, *Legal Fictions*, *supra* note 7, at 654.

[267] Tushnet, *Payment in Credit*, *supra* note 6, at 144.

[268] *See id*. at 143.

[269] Tushnet, *Legal Fictions*, *supra* note 7, at 671. "The nature of most fan fiction, which explores plot and situation possibilities generally refused by copyright owners, is such that it is unlikely to interfere with officially authorized publications. Romances, interior monologues, humor, vignettes, poetry, songs and stories in which a main character dies would not support an official market . . . . [F]an fiction often imagines rather earthshaking changes for the characters—marriage and death, among others—that the 'canon' cannot accept without signaling the end of the show." *Id.* at 670–71.

[270] *Id*.

[271] Tushnet, *Payment in Credit*, *supra* note 6, at 164 ("[F]an practices do not kill the author and replace him with the reader. Rather, the author is always in dialogue with the reader, never entirely in control of the interaction even though the author's name is associated with the work at issue . . . .").

[272] *See* Tushnet, *Legal Fictions*, *supra* note 7, at 672.

[273] *Id*.

prevalence of unauthorized *Star Trek* fan fiction online, the official *Star Trek* novelizations remain a commercial success.[274] Rather than usurping market share, fan works increase demand for the original works by keeping the "consumers excited about the official shows, receptive to other merchandise, and loyal to their beloved characters."[275] Because fan works do not pose the same kind of threat that direct market substitutes do, courts should find that complementary uses are fair uses. Using a hypothetical, the next Part demonstrates how complementary works may increase demand and why permitting fair use of complements will best serve the interest of Progress.

Test Case: Webcomic

The following hypothetical will demonstrate how fan merchandise is a complement because it increases demand for the canon work. While permitting substitutes may harm author incentives, permitting such complementary works as fair uses best promotes the interest of copyright's goal of Progress.

Imagine that Dick Grayson, a comic book fan with great artistic talent, begins to draw comics featuring the popular DC Comics character Batman.[276] Although Grayson initially creates these drawings in his spare time out of boredom, after some time he gets the idea to post his artwork online. The collection of his artwork becomes popularized as a webcomic series called *I am not Bruce Wayne: The Secret Life of Batman*. Although Grayson generally draws whatever he feels like creating, a recurring theme in his work is the depiction of Batman performing mundane tasks, such as taking Ace the Batdog for long strolls along the beach, playing video games with Alfred and Robin on the giant consoles in the Batcave, or gardening in the shade of Wayne Manor.

None of Grayson's webcomics reproduce any copyrighted images belonging to DC Comics, but all of the webcomics are clearly derivative works of copyrighted DC Comics characters. For some time, Grayson posts the webcomics on an online site that anyone can access free of charge. However, as is often the case with webcomics,[277] the popularity of *I am not Bruce Wayne*

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[274] *Id*.

[275] *Id*. at 669.

[276] The author of this Note created this hypothetical, but it was inspired by *The Gutters* webcomics. *See* Ryan Sohmer et al., THE GUTTERS, http://www.the-gutters.com (last visited Feb. 24, 2013).

[277] *See, e.g.*, *Volume 1: Attack of the Bacon Robots!*, PENNY ARCADE STORE, http://store.penny-arcade.com/products/pap070011 (last visited Jan. 30, 2013); *Megatokyo Volume 1 TPB*, DARK HORSE COMICS, http://www.darkhorse.com/Books/13-072/Megatokyo-Volume-1-TPB (last visited Jan. 30, 2013); *The Perry Bible Fellowship: The Trial Of Colonel Sweeto And Other Stories HC*, DARK HORSE COMICS, http://www.darkhorse.com/Books/13-825/The-Perry-Bible-Fellowship-The-Trial-of-

skyrockets so much that a publisher approaches Grayson with a book deal to publish his webcomics in a glossy compendium.

Although none of the images in the webcomics resemble copyrighted images of Batman, *I am not Bruce Wayne* may still infringe the derivative work right for Batman under a fair use analysis. In engaging a fair use analysis for *I am not Bruce Wayne*, the first three factors are relatively easy to determine.

Under the first factor, the purpose and character of the use, a webcomic has a particularly transformative nature even if the work is commercial.[278] Much like *The Wind Done Gone*, *I am not Bruce Wayne* takes elements from copyrighted material but Grayson's own original contributions to the webcomic are significant.[279] Aside from basic elements of Batman's character, much of the resulting webcomic consists of Grayson's contributions, such as his artistic interpretation of Batman, his choice of scene and setting, and his choice of Batman's depicted actions. Grayson's significant transformation of the work should result in a finding of fair use, notwithstanding the webcomic's commercial nature, much like the results in *Suntrust* and *Campbell*.[280]

Under the second statutory factor, the nature of the copyrighted work, the Batman character is at the core of copyright's interests as a fictional character.[281] Characters that are sufficiently delineated are generally protected under copyright.[282] Batman is certainly a distinctive enough character to rise above the level of stock character; furthermore, courts have determined that the Batman character meets this standard and therefore warrants protection.[283] Thus, the second factor would weigh against a finding of fair use. Under the third factor, the amount and substantiality of the portion taken, *I am not Bruce Wayne* appropriates the entirety of the Batman character. Thus, the third factor would likely weigh against finding fair use.

Under the fourth factor, the effect of the use upon the potential market, the substitute/complement distinction enters the analysis. A webcomic is unlikely to directly compete with Batman canon: if anything, a webcomic may increase demand for Batman canon, especially if the webcomic begins making

Colonel-Sweeto-and-Other-Stories-HC (last visited Jan. 30, 2013); *The Gutters Absolute Complete Omnibus Vol 1*, DYNAMITE, http://dynamite.com/htmlfiles/viewProduct.html?PRO=C1926838068 (last visited Jan. 30, 2013).

[278] Tushnet, *Legal Fictions*, *supra* note 7, at 664–67.

[279] *Id*. at 665–67; *see* Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257, 1266–67 (11th Cir. 2001).

[280] *See Suntrust Bank*, 268 F.3d at 1267–71.

[281] Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 586 (1994).

[282] *See* Walt Disney Prods. v. Air Pirates, 581 F.2d 751 757–58 (9th Cir. 1978).

[283] DC Comics Inc. v. Reel Fantasy, Inc., 696 F.2d 24, 25–26 (2d Cir. 1982).

references to Batman canon. For example, imagine that Grayson draws a special webcomic for Halloween. In the Halloween edition, Grayson draws Batman using a batarang to carve jack-o-lanterns. The webcomic depicts Batman in the middle of the painstaking process of carving a jack-o-lantern in the likeness of the villain Two-Face. Alongside his worktable, the reader can see a line of completed jack-o-lanterns carved in the likenesses of villains Catwoman, the Joker, the Riddler, and Solomon Grundy. The final panel shows Batman with a speech bubble that says, "Man. This is a going to be a long Halloween."[284]

Fans of Batman canon will recognize this quip as a reference to the graphic novel *The Long Halloween*.[285] However, those reading *I am not Bruce Wayne* who have not had the opportunity to read *The Long Halloween* might purchase it in order to better understand Grayson's reference. As a result, Grayson's fan-created webcomic ultimately boosts sales for *The Long Halloween* and thus serve as a complementary good to the canon work. Real-world situations resembling this webcomic hypothetical are not unusual; fan works are replete with references to canon works.[286] It is not inconceivable that as fan works call to attention canon works, such canon works experience boosts in sales.[287]

Although the webcomic may be complementary to the original work, it may still serve as a substitute for other derivative works. For example, DC Comics may be interested developing webcomics featuring Batman. However, this alone should not preclude a finding of fair use for Grayson's webcomic due to the nature of fan works. Parallel works, whether fan fiction, fan webcomics, or otherwise, can coexist with canon works without a substitutionary effect.[288] The sanctity of the canon gives the original work a premium of authenticity that fan works cannot command and permits unlimited fan works to comment upon, expand, or re-imagine the DC Comics universe.[289]

Ultimately, finding fan works to be complementary serves the general policy aim of copyright to promote Progress. First, the creation of fan works promotes Progress by generating creativity and new works.[290] Second, fan works may also promote Progress by augmenting author incentives to create—

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[284] *See* JEPH LOEB & TIM SALE, BATMAN: THE LONG HALLOWEEN (1998).

[285] In this graphic novel, Batman faces various villains, including Catwoman, the Joker, the Riddler, and Solomon Grundy. *See id*.

[286] Jeffrey A. Brown, *Comic Book Fandom and Cultural Capital*, 30 J. POPULAR CULTURE 13, 28 (1997)

[287] Tushnet, *Payment in Credit*, *supra* note 6, at 144; *see* Jeffrey A. Brown, *Comic Book Fandom and Cultural Capital*, 30 J. POPULAR CULTURE 13, 13, 28 (1997) (noting the importance of fandom in support of the comic book industry).

[288] Tushnet, *Payment in Credit*, *supra* note 6, at 144.

[289] *See id*. at 144–45.

[290] *Id*. at 143.

both financial and non-financial.[291] The comic book industry, like other media fandoms, thrives upon a strong fan base. Fan works serve to further strengthen fan communities.[292] Fan communities depend on fans' abilities to meaningfully engage with the works they feel a connection to, including the ability to create works of their own.[293] Often, the relationship between original works and fan works is symbiotic: the stronger the fan base, the greater the market for the canon work.[294] Furthermore, with fandom comes fame, which is a non-economic incentive for authors to create.[295] Particular fan works should be considered fair uses when they do not directly compete with original canon works and they may even boost the market power of the original works.

B. Courts Should Find Fair Use When Fan-Created Merchandise Fills a Gap Left in the Market Due to Market Failure.

In addition to finding fair use when fan works are complementary goods, courts should similarly find fair use when fan works respond to market failure. Oftentimes, fan works are goods that fans demand but copyright owners have failed to supply. This failure to supply can occur for any number of reasons: high transaction costs, preference to focus on more profitable goods, or too insignificant a demand for owners to feasibly create or license such goods themselves.[296] Professor Wendy Gordon, in her influential paper examining the result in *Sony*, proposes a test for applying fair use analysis in the context of market failure.[297] This three-part test weighs in favor of finding fair use when: "(1) market failure is present; (2) transfer of the use to the defendant is socially desirable; and (3) an award of fair use would not cause substantial injury to the incentives of the plaintiff copyright owner."[298]

Professor Gordon's proposed test does not come without its critics. Professor Glynn Lunney criticized Gordon's market failure test because it fails

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[291] *See id*. at 143–44.

[292] *See id*. at 138, 147.

[293] *See id*.; Burns & Webber, *supra* note 5.

[294] Tushnet, *Payment in Credit*, *supra* note 6, at 143–44.

[295] Consider the popularity of the television, comic book, and movie creator Joss Whedon, who enjoys a wide following of fans. Jordan Zakarin, *Exploring the Whedonverse: Inside the Cult Hero Fame of 'Avengers' Director Jose Whedon*, HOLLYWOOD REP. (Apr. 24, 2012, 10:08 AM), http://www.hollywoodreporter.com/news/joss-whedon-whedonverse-cult-hero-avengers-buffy-firefly-314554.

[296] *See* Gordon, *Fair Use as Market Failure*, *supra* note 14, at 1614, 1648; Wendy Gordon, *Market Failure and Intellectual Property: A Response to Professor Lunney*, 82 B.U. L. REV. 1031 (2002) [hereinafter Gordon, *Market Failure and Intellectual Property*].

[297] Gordon, *Fair Use as Market Failure*, *supra* note 14, at 1614.

[298] *Id*.

to take account the fact that market failure is a concept best reserved for private markets, rather than public goods.[299] As a result, applying the concept to copyright inappropriately fails to take into account the nature of copyrighted works as public goods.[300] In particular, Professor Lunney finds market failure unhelpful for determining when a use should be considered fair because the private rights created by copyright must necessarily lead to market failure due to the nature of copyrighted works as public goods.[301] Although Professor Lunney may be correct to note that market failure is better suited to private goods, market failure can still be a useful analytical tool.[302] Professor Gordon defended her theory by noting that no better analytical tool for this phenomena exists.[303] As Gordon noted in her response to Professor Lunney, "it is useful to begin with the model of the market—a model whose workings and virtues we know relatively well. In that endeavor, market failure remains the central organizing trope."[304]

Determining whether market failure exists, much like determining whether a particular use is a complement or substitute, is not necessarily an easy question. Professor Gordon argues that market failure occurs when "the possibility of consensual bargain has broken down in some way."[305] This can occur when "the desired transfer of resource use is unlikely to take place spontaneously" or when "market flaws impair the market's ordinary ability to serve as a measure of how resources should be allocated."[306] Other contributing factors may be high transaction costs, information asymmetry, and negative externalities.[307] In some cases, market failure may be the reason why fan works have emerged. Fans likely have difficulty bargaining with canon copyright owners for a number of reasons.[308] Administratively, it would be difficult for copyright owners to review licensing requests from the thousands of fans who wish to create derivative works, regardless of the form. Furthermore, if current fan activity and merchandising is any indication, fans demand a wide variety of works.[309] Between fan fiction, webcomics, stand-alone artwork, costumes, accessories, and more, it may be difficult or near impossible for copyright owners to meet consumer demands themselves.

[299] Lunney, *Fair Use and Market Failure*, *supra* note 191, at 987.

[300] *Id*. at 993.

[301] *Id*. at 996.

[302] *See* Gordon, *Market Failure and Intellectual Property*, *supra* note 296, *passim*.

[303] *Id*. at 1039.

[304] *Id*.

[305] Gordon, *Fair Use as Market Failure*, *supra* note 14, at 1615.

[306] *Id*.

[307] Lunney, *Fair Use and Market Failure*, *supra* note 191, at 986.

[308] Tushnet, *Payment in Credit*, *supra* note 6, at 149.

[309] *Id*. at 140.

When fans' demands become increasingly idiosyncratic, such as the desire for customizable merchandise, fans may be more justified in responding to market failure by creating their own goods. For such fans, official and licensed merchandise may be unfit for their consumption. Essentially, a demand would exist that the copyright owner could not fulfill. In such cases, the market would be more efficient if fan consumers can turn to unauthorized fan merchandisers, who may be better equipped at responding to the market.

Permitting such transactions to occur is not only socially desirable, but also in the best interests of Progress. Professor Gordon, in applying the second factor of her market failure analysis, narrowed the inquiry to the question of whether "the use is more valuable in the defendant's hands or in the hands of the copyright owner."[310] In the particular case of fan merchandise, courts should weigh in favor of fair use when the infringing merchandise is merchandise the copyright owner would not have developed. This approach echoes the *Campbell* court's restriction of the fourth fair use factor to instances where the use would compete with "those [uses] that creators of original works would in general develop."[311] Permitting use that creators did not choose to develop would be socially desirable for two reasons: first, it increases consumer utility by providing a good they would not have been able to obtain otherwise because consensual bargaining has broken down,[312] and second, it creates a more efficient marketplace. In other words, the use would be more beneficial in the defendant's hands than it would be in the plaintiff's.[313] Ultimately, this only furthers the interest of Progress because an efficient marketplace can only serve to "whet [consumer] appetite for more [canon work]."[314]

In addition to the presence of market failure and the social desirability of defendant use, permitting fan works would not "leave the plaintiff copyright owner facing substantial injury to his incentives."[315] In many instances, market failure occurs with fan works because copyright owners cannot or do not want to participate in the market. While an unwillingness to participate in a derivative market may not harm author incentives, permitting others to engage in a market that copyright owners do not wish to develop may serve to boost author incentives.[316] When fan bases increase, frequently so does market share.[317] If copyright owners are unwilling or unable to capitalize on

[310] Gordon, *Fair Use as Market Failure*, *supra* note 14, at 1615.

[311] Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 592 (1993).

[312] *See id*.

[313] *See id*.

[314] Tushnet, *Payment in Credit*, *supra* note 6, at 144.

[315] Gordon, *Fair Use as Market Failure*, *supra* note 14, at 1619.

[316] Tushnet, *Payment in Credit*, *supra* note 6, at 143.

[317] *Id*.

this growth, then fans should be able to, so long as it does not injure the author incentives. When fan derivative works may boost authors' abilities to recapture profits in the market, it seems unlikely that this will significantly injure author incentives.[318]

Ultimately, while the approach may have its imperfections, Gordon's theory of market failure may provide a useful tool for determining when courts should allow fair use. Ultimately, Gordon's theory of market failure serves to expand the fair use doctrine.[319] This benefits the purpose of Progress, by increasing, rather than harming author incentives. When market failure occurs, fan response to the failure by filling the gap in the market only boosts both the economic and non-economic incentives authors have to create new works. Therefore, in instances when fan works arise in response to a failure in the market, courts should weigh in favor of fair use.

Test Case: Costume Company

The following hypothetical demonstrates how fan works respond to market failure, how the product of their response is socially desirable, and how this use does not harm author incentives. Ultimately, this Part explains why such works should constitute fair uses, and by doing so demonstrate Gordon's theory of market failure in practice.

Imagine that during her spare time, a theatrical costume designer named Tina Drake enjoys making and selling adult-sized costumes based upon the characters from Batman. For a recent comic convention, she created and modeled a particularly impressive Harley Quinn costume. Persuaded from the attention from other fans about her costume, Drake creates an online website called Batcostumes. Through the website, Drake takes custom order costume requests and sells customized costumes online. Much of Drake's clientele consists of individuals who want their costumes to fit like a glove, so they send specific measurements to Drake in order for her to create perfectly tailored costumes. Some of these costumes are used at costume balls and during Halloween, but the majority of Drake's clientele are individuals who wish to cosplay while attending comic book conventions.[320] One client, an unusually tall woman named Ivy Fantastic, saw Drake's winning Harley Quinn costume last year at San Diego Comic-Con and was inspired to cosplay as Harley Quinn during this year's convention. Lacking any sewing talent herself, and unable to fit into the generic costumes that DC Comics licensed because of her height, Fantastic sends her measurements to Batcostumes. Drake creates the costume

[318] *See* Gordon, *Fair Use as Market Failure*, *supra* note 14, at 1619.

[319] Gordon, *Market Failure and Intellectual Property*, *supra* note 296, at 1032.

[320] Cosplaying is a portmanteau for "costume play" and refers to the practice of dressing up in costume. Generally cosplaying occurs at fan conventions. *Cosplay*, FANLORE, (Jan. 22, 2013, 3:14 PM), http://fanlore.org/wiki/Cosplay.

to Fantastic's measurements and charges $400.

Under a theory of market failure, these costumes should be considered a fair use, even though they would constitute an infringement on the DC Comic's derivative work right for the character Harley Quinn.[321] The demand for well-made and realistic costumes for cosplaying[322] and the industry's inability to either license or produce custom costumes that satisfy consumer needs suggests market failure has occurred. In such an instance, "consensual bargain[ing] has broken down in some way."[323] Particularly where fan producers exist who have the time, resources, and ability to provide the desired good are prevented from doing so due to copyright restrictions, the market is less efficient. Furthermore, permitting use in cases such as this would be socially desirable. First, it would result in a more efficient market place, because transactions that would not occur due to the copyright monopoly can now occur. Second, permitting such uses would benefit both the copyright owner and the fan. The fan would derive utility from the use itself, resulting in increased loyalty to the copyrighted material, which in turn would augment author incentives.[324] The most important reason why such use would be socially desirable, however, relates to the third fair use factor: permitting such uses would not injure the incentives of the plaintiff copyright owner. Because Drake can fulfill a consumer demand that DC Comics cannot, the transaction would not harm DC Comics and would only deny a consumer demand that could otherwise be fulfilled. For copyright owners, the only sensible distribution method for costumes is mass production, which may not satisfy consumer desires to have high-quality, tailored, realistic costumes for cosplaying.[325] Fans who have the skill, resources, and time to create customized costumes are better able to satisfy this demand than are the copyright owners. In order to ensure a more efficient market, fans should be permitted to engage in these uses. Such uses do not significantly injure the copyright owner. Arguably, such uses create markets that the copyright owner would not have developed in the first place. As a result, Drake's use in the hypothetical responds to a gap left in the market. Because the consumer is one who would not have been able to purchase the officially licensed good anyway (because she is too tall), Drake's service ultimately bridges market failure created by the copyright owner. As a result, this use should be considered a

[321] *See* Entm't Research Grp. v. Genesis Creative Grp., 122 F.3d 1211, 1218 (9th Cir. 1997) (finding that costumes based on copyrighted characters are considered derivative works of those characters).

[322] Sarah White, *Cosplay Costumes*, http://costumes.lovetoknow.com/Cosplay_Costumes.

[323] Gordon, *Fair Use as Market Failure*, *supra* note 14, at 1615.

[324] *See id.*

[325] *See id.*

fair use.

VI. CONCLUSION

Current fair use doctrine does not seem to embrace fan merchandise as permissible uses of copyrighted works. Instead, fan-created derivative works are likely per se infringements of the canon works that inspire them. In attempting to achieve the goal of promoting Progress, we should neither ignore the rights of authors by granting derivative work rights to fan-authors nor should we lock up creative works by granting absolute copyrights to authors. Although the current copyright system employs doctrinal tools to ensure authors do not exercise absolute rights over their works, such as durational limits, the idea/expression distinction, and fair use, these tools alone are currently insufficient to promote the creation of new works in the context of fan merchandise. In particular, the commercial nature and strong protection for elements of canon works such as characters indicate that fan works sold for profit would not be considered fair uses.

In order to better serve copyright's goal of promoting Progress, courts should broaden the scope of the fair use doctrine. In particular, courts should take into consideration whether a use is substitutionary or complementary and whether a use responds to market failure in considering the fourth fair use factor. Without expanding fair use doctrine to a point that reduces author incentives to create work, finding fair use in cases where the use was complementary or where the use responds to a failure in the market would promote Progress. Furthermore, because complementary goods do not compete with the canon, and because derivative works in the context of market failure only provide a good that authors are themselves unwilling or unable to supply, finding fair use in such cases would not negatively affect author incentives. Instead, it would promote the creation of new works in the interest of Progress, while still preserving author incentives.

Ultimately, this approach strikes the appropriate balance between the interests of fan creators and the original work authors and resolves the tension between protecting economic incentives while providing accessibility to necessary building blocks for new creation. While still providing enough protection to original works to ensure that author incentives are protected enough that authors will continue to make new works, this approach permits users to interact with copyrighted works in a way that encourages new creation. As an alteration to the fair use exception, this approach would not alter authors' initial rights in their works, as the prima facie infringement analysis would remain the same. Instead, it would only permit exceptions in instances where the promotion of Progress is best served.