

**SYRACUSE UNIVERSITY LAW AND TECHNOLOGY JOURNAL**

**Why the Ninth Circuit Added Too Much to Subtract Add-on Software from the Scope of Derivative Works Under 17 U.S.C. § 106(2): A Textual Argument**

**By,**

**Emilio B. Nicolas<sup>1</sup>**

---

<sup>1</sup> Executive Editor, *Syracuse Science and Technology Law Reporter*. J.D., Syracuse University College of Law, expected in 2005; M.S., Media Management, S.I. Newhouse School of Public Communications, expected in 2005; B.S., Finance and Marketing, Trinity University, 2002. In connection with this Note, the author would like to thank Professor Laura Lape, J.D., M.A. for her guidance and teaching in the area of copyright law, Professor Patricia Longstaff, J.D., M.A., M.P.A. for providing further insight into the areas of copyright law and the communications and entertainment industries, and Professor Evan Smith, M.A. for his help in understanding the business of the motion picture industry. The author would also like to thank his family and friends for providing a soundboard to his thoughts and ideas for this Note, especially his father, Emilio R. Nicolas, Jr., J.D., and his classmates at the Syracuse University College of Law: Adam Ackley, Scott Brimmer, and Nancy Hammel.

## TABLE OF CONTENTS

|      |  |    |
|------|--|----|
| I.   | Introduction.....  | 1  |
| II.  | Legal Thesis .....   | 7  |
| III. | Derivative Works, Add-on Software, and the Impact of <i>Galoob</i> .....                     | 9  |
|      | A. What Are Derivative Works?.....   | 9  |
|      | B. Protectable and Infringing Derivative Works .....   | 10 |
|      | C. Add-on Software as “Infringing” Derivative Works .....                                    | 13 |
|      | 1. <i>Midway Manufacturing Co. v. Artic International, Inc.</i> .....                        | 13 |
|      | 2. <i>Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.</i> .....                         | 15 |
| IV.  | A Slight Disagreement With <i>Galoob</i> .....   | 20 |
|      | A. Policy Arguments for Freeing Add-on Software Producers<br>from Liability .....            | 20 |
|      | 1. No Loss of Incentive to Create Future Works.....  | 20 |
|      | 2. Diversity in the Marketplace of Ideas .....   | 25 |
|      | 3. Consumer Autonomy .....   | 27 |
|      | 4. Development of New Technologies.....  | 28 |
|      | B. The Problem With <i>Midway</i> .....  | 31 |
|      | C. A Problem With <i>Galoob</i> .....  | 32 |
| V.   | A Textual Approach to Derivative Works.....  | 36 |
|      | A. Infringement Liability for Add-on Software Absent the<br>Precedent of <i>Galoob</i> ..... | 36 |
|      | B. Thesis Argument .....   | 40 |
| VI.  | Conclusion .....   | 47 |

### I. INTRODUCTION

Imagine a scene in which a consumer purchases a digital video disc (DVD) movie for use in his own home. Unlike most audiences, this particular consumer likes to wear sunglasses whenever he watches a movie. He does not have any ailments that require him to wear sunglasses while he watches a movie; he just likes to wear them because their dark lenses shade the movie’s colors to a darker tint. The sunglasses do not change the DVD or the movie being played. They only change the way in which this particular consumer perceives the movie. If the consumer wants to view the movie the way its makers intended it to be viewed, he can simply remove his sunglasses.

Now, imagine a filmmaker who does not like consumers to wear sunglasses when they

watch one of his movies because he believes it creates an unauthorized derivative work of his protected expression. To solve the problem, the filmmaker files a complaint against those consumers for copyright infringement. Next, assume the filmmaker succeeds in his lawsuit. Consumers would be restricted from choosing what they could or could not look at while wearing a pair of sunglasses, because whatever they perceived through the sunglasses could infringe upon someone's *expression*. It is easy to believe that consumers would not stand for this new restriction. For one thing, consumers could be sued whenever they wore a pair of sunglasses because everywhere they looked, they would likely view someone's protected expression. For another, consumers could be sued even though the protected work they viewed through the sunglasses was one they had lawfully purchased from the copyright owner. Fortunately, this restriction on how a person chooses to perceive a protected work in the privacy of his own home is not a current reality. However, it could become a problem in the near future.

Derivative works are those works that have been derived from another, preexisting/underlying work.<sup>2</sup> Section 106(2) of the Copyright Act of 1976 provides copyright owners with the exclusive right to prepare and/or authorize the preparation of derivative works based upon their copyrighted works.<sup>3</sup> This exclusive right allows copyright owners to profit from their protected works by monopolizing the creation of derivative works based on their protected works.<sup>4</sup> Whenever one party creates a derivative work of another party's protected work without the latter's permission, the former party may have infringed upon the latter's

---

<sup>2</sup> BLACK'S LAW DICTIONARY 455 (7th ed. 1999).

<sup>3</sup> 17 U.S.C. § 106(2).

<sup>4</sup> See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984).

exclusive right to prepare derivative works.<sup>5</sup> Therefore, when a court is presented with a claim for copyright infringement under section 106(2), it must determine whether the “infringing” derivative work is in fact a “derivative work” under section 106(2).<sup>6</sup> This determination, however, has been the subject of great disagreement among the courts.<sup>7</sup> In particular, this issue has recently arisen in the context of motion pictures.

Film studio revenues depend heavily upon the studios’ ability to control the reproductive and derivative media rights of their films.<sup>8</sup> Derivative media rights are synonymous with the exclusive right of a movie’s copyright owner to prepare derivative works.<sup>9</sup> A movie’s derivative works may include the film’s merchandise, book versions of the film, “director’s cut” versions of the film, or edited versions of the film for broadcast television.<sup>10</sup> As of the writing of this Note, the digitally edited version of a film is a type of derivative media that is the subject of a pending lawsuit between several filmmakers – including several major motion picture studios (hereinafter

---

<sup>5</sup> See BLACK’S LAW DICTIONARY, *supra* note 2, at 785, referring to 17 U.S.C. § 501 (2000) (“Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 . . . is an infringer of the copyright.”).

<sup>6</sup> See 17 U.S.C. § 106(2).

<sup>7</sup> Compare, e.g., *Lee v. A.R.T. Co.*, 125 F.3d 580, 582 (7th Cir. 1997) (holding originality is required for a work to qualify as an infringing derivative work), with, e.g., *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341, 1343-44 (9th Cir. 1988) (holding originality is not required for a work to qualify as an infringing derivative work).

<sup>8</sup> For instance, home video distribution serves as the primary source [of] studio profits. HAROLD L. VOGEL, ENTERTAINMENT INDUSTRY ECONOMICS 124, 127 (5th ed. 2001) (“[S]tudio profits are centered on distribution activities, where [licensing] fees range to over 30% of gross receipts.”).

<sup>9</sup> 1 THOMAS D. SELZ ET AL., ENTERTAINMENT LAW § 3.08, at 3-45 (2d ed. 1994) (“Derivative Media rights refer to those media for which an entertainment venture undergoes substantial changes in the content of the project: adding new material; editing, rewriting, or deleting substantial existing material; or extracting the essence of a production to be marketed in new forms.”).

<sup>10</sup> The film industry term of art describing those products that embody the derivative works of a movie is “peripherals.” WILSON DIZARD, JR., OLD MEDIA NEW MEDIA: MASS COMMUNICATIONS IN THE INFORMATION AGE 145 (3d ed. 2000) (defining “peripherals” as “products that are spun off from the basic filmmaking activities,” such as theme parks, music recordings, DVD discs, and videocassettes).

“studios”), several directors, and the Directors Guild of America (DGA)<sup>11</sup> – and several Internet add-on software providers. This pending lawsuit has been styled *Huntsman v. Soderbergh*.<sup>12</sup> In *Huntsman*, the add-on software providers—including Trilogy Studios, ClearPlay, and Family Shield—brought suit against the filmmakers seeking a declaratory judgment that their add-on software programs, which are used to create edited versions of DVD movies, did not violate any of the filmmakers’ rights.<sup>13</sup> The filmmakers responded by filing a countersuit against the add-on software providers for, *inter alia*, copyright infringement.<sup>14</sup>

Add-on software consists of any software program that augments the operation of a computer hardware device or software program.<sup>15</sup> For example, when a consumer uses Trilogy Studios’ add-on software in conjunction with a DVD movie, the add-on software creates an edited version of the original movie by excluding its “adult” content, such as adult language, violence and/or nudity.<sup>16</sup> The software accomplishes this task by placing a pre-programmed

---

<sup>11</sup> The DGA is a major Hollywood labor union that represents film directors. *Id.* at 82-83.

<sup>12</sup> Motion Picture Studio Defendants’ Answer and Counterclaims at 18-23, *Huntsman v. Soderbergh*, (D. Colo. filed Dec. 13, 2002) (No. 02-1662).

<sup>13</sup> *Id.*; *Movie Studio Defendants Answer, Counterclaim in Declaratory Judgment Case*, 1 MEALEY’S LITIG. REP. COPYRIGHT 9 (2003).

<sup>14</sup> Defendants’ Answer and Counterclaims at 5-6, *Huntsman* (No. 02-1662). The parties are currently in discovery as of the writing of this Note. Vince Horiuchi, *Group Supports Home-Viewer Editing of DVD Movies*, SALT LAKE TRIB., June 19, 2003, at D2. Other claims at issue include trademark infringement, trademark dilution, and unfair competition. Defendants’ Answer and Counterclaims at 5, *Huntsman* (No. 02-1662). The lawsuit also involves claims by the counter-plaintiffs against the retailers of edited versions of the copyrighted movies sold on videotape and DVD. *Id.* at 13. However, this Note will only focus on those copyright claims against the creators and distributors of add-on software that *alters* copyrighted movies on DVD.

<sup>15</sup> See Edward G. Black & Michael H. Page, *Add-On Infringements: When Computer Add-Ons and Peripherals Should (and Should Not) Be Considered Infringing Derivative Works Under Lewis Galoob Toys, Inc. v. Nintendo of America, Inc., and Other Recent Decisions*, 15 HASTINGS COMM. & ENT. L.J. 615, 617 (1993). For the purposes of this Note, the terms “add-on software” and “add-on devices” will be used interchangeably. Typically, add-on software is embodied in an add-on device.

<sup>16</sup> Defendants’ Answer and Counterclaims at 18-23, *Huntsman* (No. 02-1662); Roy Santos, *First Look: Trilogy Studios MovieMask*, TechTV (Feb. 8, 2002) at [http://www.g4techtv.com/techtv/vault/features/36248/First\\_Look\\_Triology\\_Studios\\_MovieMask.html](http://www.g4techtv.com/techtv/vault/features/36248/First_Look_Triology_Studios_MovieMask.html) (describing Trilogy Studio’s add-on software); see ClearPlay website at <http://www.clearplay.com> (last visited Oct. 14, 2004)

template over the original movie's performance while the original movie is being played on a DVD player.<sup>17</sup> This template acts like a mask that covers the adult content of the original movie either by skipping, muting, or blurring the adult content in the scene of a movie—before it can be viewed by the consumer on his television or computer screen.<sup>18</sup> The software neither affects nor alters the encrypted code of the movie or DVD.<sup>19</sup> Future versions of such software are expected to allow consumers themselves to edit a DVD movie, or even a videogame, without relying on a pre-programmed template, as is currently provided.<sup>20</sup> As suggested in the introductory paragraph to this Note, the add-on software's function is analogous to watching a movie while wearing a pair of sunglasses. Sunglass lenses are darkly tinted to reduce the amount of light exposed to the wearer's eyes. Therefore, a person wearing sunglasses while watching a movie would perceive the movie's colors and tinting to be darker than they really are. Like the add-on software provided by Trilogy Studios, the sunglasses' dark lenses in effect have “edited” the amount of light exposure to the viewer's eyes.

Of the various claims alleged in *Huntsman*, the most problematic is the filmmakers' claim that the add-on software providers are liable under section 106(2) for contributory copyright infringement, which is based on the alleged direct infringement by consumers who

---

(describing ClearPlay's add-on software); *see also* Movie Mask website at <http://www.moviemask.com> (last visited Oct 14., 2004) (describing Trilogy Studio's add-on software); Movie Shield website at <http://www.movieshield.com> (last visited Dec. 28, 2003) (describing Family Shield's add-on software).

<sup>17</sup> *See* Xeni Jardin, *Film Moguls: Let Sex, Gore Stay*, WIRED NEWS (Aug. 28, 2002), at <http://www.wired.com/news/print/0,1294,54759,00.html>; *see also* Santos, *supra* note 16.

<sup>18</sup> *See* Jardin, *supra* note 17; *see also* Santos, *supra* note 16.

<sup>19</sup> Trilogy Studios founder Breck Rice has stated that Trilogy Studio's add-on software is, “like taking a Picasso home...[and] put[ting] a piece of cellophane over it; you can remove the cellophane, and it's still the same painting.” Jardin, *supra* note 17.

<sup>20</sup> PR Newswire, *VIP ComLink to Acquire Trilogy Studios*, June 6, 2002, available at LEXIS, PR Newswire file.

make derivative works by employing the add-on software to view films.<sup>21</sup> But, as suggested above, determining whether the use of add-on software in conjunction with a protected film qualifies as a “derivative work” under section 106(2) is a subject of great disagreement among the courts.<sup>22</sup> This Note proposes a solution to that disagreement.

## II. LEGAL THESIS

The two conflicting views about the treatment of alleged derivative works created through the use of add-on software under section 106(2) are set out in the Ninth Circuit’s *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*<sup>23</sup> decision and in the Seventh Circuit’s *Midway Manufacturing, Co. v. Artic International, Inc.*<sup>24</sup> decision. This Note agrees with the Ninth Circuit’s policy considerations, favoring the protection of add-on software providers from contributory copyright infringement liability, and disagrees with the Seventh Circuit’s holding in *Midway* that add-on device providers are liable for contributory copyright infringement. However, this Note is also in disagreement with the *rationale* employed by the Ninth Circuit in *Galoob*, which concludes that audiovisual works created as a result of combining add-on

---

<sup>21</sup> Other copyright claims may include violations of section 106(3), for the unauthorized distribution of a copyrighted film, and section 106(4), for the unauthorized public performance of a copyrighted film. However, the focus of this Note is solely on the section 106(2) claim for the unauthorized preparation of a derivative work. For further discussion regarding the various copyright infringement claims at issue in *Huntsman* and their possible outcomes, see Mark S. Lee, *Clean Cut*, 26 L.A. LAW 46, 50-51 (May 2003) (discussing the possible outcomes of *Huntsman*).

<sup>22</sup> This issue has also become a subject of recent disagreement in Congress. During the editing of this Note, the House of Representatives passed the Family Movie Act of 2004, H.R. 4077, 108th Cong. § 112 (2004), which includes a provision that would protect the add-on software at issue in *Huntsman* from copyright infringement. See H.R. 4077, at § 112(b)(3). See also 150 CONG. REC. S11291 (daily ed. Oct. 11, 2004) (statement of Sen. McCain). However, this bill has been blocked by Senate Commerce Committee Chairman John McCain because he believes the language of the bill “may actually harm consumers while appearing to help them.” CONG. REC. S11291. Sen. McCain stated that he supports the bill’s goal to “immuniz[e] from legal challenges a technology that enables parents to skip offensive material from prerecorded copies of films and television,” but that he fears the “exemption ... creates an implication that certain basic practices that consumers have enjoyed for years -- like fast-forwarding through advertisements -- would constitute criminal copyright infringement.” *Id.*

<sup>23</sup> 964 F.2d 965 (9th Cir. 1992) (holding add-on software does not fall within the scope of section 106(2)).

<sup>24</sup> 704 F.2d 1009 (7th Cir. 1983) (holding add-on devices fall within the scope of section 106(2)).

software programs with protected works are not infringing derivative works because the underlying works have not been incorporated by the alleged infringement “in some concrete or permanent form.”<sup>25</sup> Instead, this Note argues that the resulting audiovisual works do not constitute copyright infringement under section 106(2) because those audiovisual works do not incorporate the underlying work *at all*. The proper rule should be that the use of add-on software in conjunction with protected works does not produce “derivative works” within the meaning of section 106(2) because add-on software does not actually *change* a preexisting work. Using the add-on software at issue in *Huntsman* as a modern-day example, this Note will first discuss the current law regarding add-on software as a derivative work.<sup>26</sup> This Note will then argue, using

---

<sup>25</sup> *Galoob*, 964 F.2d at 969.

<sup>26</sup> Because it involves the enhancement of DVDs, the add-on software at issue in *Huntsman* may arguably run afoul of the Digital Millennium Copyright Act (“DMCA”). 17 U.S.C. §§ 512, 1201-1205, 1301-1332 & 28 U.S.C. § 4001 (2000). This Note argues that the add-on software does not run afoul of the DMCA and is therefore a suitable example for the purposes of this Note. This conclusion is based on the following language contained in the DMCA:

No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that -- (A) is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title; (B) has only limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a work protected under this title; or (C) is marketed by that person or another acting in concert with that person with that person’s knowledge for use in circumventing a technological measure that effectively controls access to a work protected under this title.

17 U.S.C. § 1201(a)(2). Section 1201(a)(3)(A) defines the “circumvention of a technological measure” as any “means to descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner.” That same provision also defines the ability of a technological measure to “effectively control[] access to a work” as any technological measure that, “in the ordinary course of its operation, requires the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to the work.” 17 U.S.C. § 1203 (a)(3)(B). To establish a claim under section 1201(a)(2), a plaintiff must demonstrate that the disputed technological measure provides “unauthorized access” to the copyrighted software. *Chamberlain Group, Inc. v. Skylink Techs., Inc.*, 292 F. Supp. 2d 1023, 1038-39 (N.D. Ill. 2003). *See Universal City Studios, Inc. v. Reimerdes*, 111 F. Supp. 2d 294, 319, 346 (S.D.N.Y. 2000), (holding defendant’s software violated section 1201(a)(2) because its only purpose was to decrypt plaintiff’s software); *see also RealNetworks, Inc. v. Streambox, Inc.*, No. C99-2070P, 2000 U.S. Dist. LEXIS 1889, at \*21 (W.D. Wash. Jan. 18, 2000) (holding defendant’s device violated section 1201(a)(2) because it was primarily “designed to circumvent the access control and copy protection measures” that plaintiff’s program afforded to copyright owners). Therefore, it is a question of fact as to whether a defendant’s technological measure, as defined by section 1201(a)(3)(A), “circumvents” a plaintiff’s technological measures designed to prevent “unauthorized access” to his copyrighted software. *Chamberlain Group, Inc.*, 292 F. Supp. at 1034 (holding a

the legislative history for and the policies behind the Copyright Act of 1976, that the decisions of *Midway* and *Galoob* are misguided. Finally, this Note will argue in favor of the aforementioned rule that excludes add-on software from the scope of section 106(2).<sup>27</sup>

### III. DERIVATIVE WORKS, ADD-ON SOFTWARE, AND THE IMPACT OF *GALOOB*

A copyright is a property right in an original work of authorship that gives the copyright's owner "the exclusive rights to do and to authorize" the reproduction, adaptation, distribution, performance, and display of the work.<sup>28</sup> Copyright law protects an author's expression, not his ideas.<sup>29</sup> The basic policy behind federal copyright law is twofold:<sup>30</sup> first,

---

question of fact existed as to whether the plaintiff authorized consumers to use the defendant's technology in conjunction with the plaintiff's technology).

In following what little case law exists as to what constitutes the "circumvention of a technological measure," it is clear from the plain language of section 1201(a)(2) that the add-on software in *Huntsman* does not fall within the scope of the DMCA. The plain language of section 1201(a)(3)(A) suggests that to "circumvent a technological measure," the contested software must *actually go into* the protected software's code and either encrypt or decrypt that code to gain unauthorized access to the underlying material. See 17 U.S.C. § 1203 (a)(3)(A) (using terms that involve the manipulation of an underlying, digital code). The DVD filtration software in *Huntsman* neither goes into nor disrupts the encrypted code of a DVD to gain access to the protected movie contained within. Instead, it allows a DVD player to execute its function of performing the movie on the DVD *and then* "masks" that performance with the appropriate edits before the movie is perceived by the viewing audience. See Jardin, *supra* note 17. Therefore, the add-on software at issue in *Huntsman* does not run afoul of the DMCA because it only "access[es] the underlying copyrighted material precisely as it is stored on the DVD itself." Lev Ginsburg, *Anti-circumvention Rules and Fair Use*, 2002 UCLA J. L. Tech. 4, n.98.

<sup>27</sup> For the purposes of this Note, the issue of whether add-on software is subject to the fair use defense will not be discussed. This Note argues that add-on software does not violate section 106(2). Copyright infringement must be found *before* the section 107 fair use defense can apply. See 17 U.S.C. § 107; *see also* Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 576-77 (1994); *Galoob*, 964 F.2d at 969. The court's dicta in *Galoob*, which this Note agrees with, provides further discussion concerning the application of the fair use defense to for add-on software. 964 F.2d at 969-72 (dictum) (concluding that defendant's add-on software constituted a fair use because, *inter alia*, a consumer's use of the software for private home enjoyment was "a non-commercial, nonprofit activity"); *see Sony*, 464 U.S. at 449 (holding a consumer's use of a videotape recorder's time-shifting capabilities constituted fair use as a non-commercial, non-profit activity).

<sup>28</sup> See 17 U.S.C. § 106.

<sup>29</sup> See *id.*; § 102(b).

<sup>30</sup> The Copyright and Patent Clause's authorization to Congress of conferring a limited monopoly upon copyright owners "is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired." *Sony*, 464 U.S. at 429.

copyright law provides an incentive, mainly economic, to authors in the form of a temporary monopoly over their works to encourage the creation of new works;<sup>31</sup> second, copyright law seeks to provide society with reasonable access to an author’s work so others may be exposed to that work and improve upon it.<sup>32</sup> These two policies guided the enactment of the Copyright Act of 1976,<sup>33</sup> which governs federal and, through preemption, state copyright law.<sup>34</sup>

### ***A. What Are Derivative Works?***

Section 106(2) protects an author’s expression by granting him the exclusive right to “prepare derivative works based upon [his] copyrighted work.”<sup>35</sup> This provision extends the scope of protection granted to copyright owners under section 106(1) to reproduce their works beyond mere verbatim copying.<sup>36</sup> Section 106(2) also provides copyright owners with an incentive to create more works and to create value-added variations of their protected works.<sup>37</sup>

“Derivative works” are defined under section 101 as any “work based upon one or more preexisting works . . . in which [those preexisting works] may be recast, transformed, or

---

<sup>31</sup> *Id.* at 431-32 (stating, “[t]he immediate effect of our copyright law is to secure a fair return for an ‘author’s’ creative labor.”).

<sup>32</sup> *Id.* (stating “[P]rivate motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts.”).

<sup>33</sup> 17 U.S.C. § 101.

<sup>34</sup> State copyright law, also known as common law copyright, is preempted by the Copyright Act whenever it conflicts with the Copyright Act. *See* U.S. CONST. art. VI, cl. 2.

<sup>35</sup> 17 U.S.C. § 106(2). Before the enactment of the 1976 Act, federal law only protected the derivative works of “published” works under section 7 of the Copyright Act of 1909, while the derivative works of “unpublished” works were protected under common law copyright. 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT, § 3.01, at 3-3, n.2 (2003).

<sup>36</sup> *See* Amy B. Cohen, *When Does a Work Infringe the Derivative Works Right of a Copyright Owner?*, 17 CARDOZO ARTS & ENT. L.J. 623, 627 (1999); *see also* H.R. REP. NO. 94-1476, at 62 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5675 (“The exclusive right to prepare derivative works . . . overlaps the exclusive right of reproduction to some extent.”).

<sup>37</sup> *See* Lydia Pallas Loren, *The Changing Nature of Derivative Works in the Face of New Technologies*, 4 J. SMALL & EMERGING BUS. L. 57, 63 (2000).

adapted.”<sup>38</sup> To put it another way, a “derivative work” is a new work created by combining some or all of a preexisting work with some additional material, whether the original is recasted, transformed, or adapted. Therefore, using *Huntsman* as an example, the section 101 definition of a “derivative work” can be expressed as the following formula:

$$\begin{array}{r} \text{Preexisting Work (e.g., copyrighted movie on DVD)} \\ + \quad \text{Additional Material (e.g., add-on software)} \\ \hline = \quad \text{Derivative Work (e.g., edited movie)} \end{array}$$

When discussing the issue of what constitutes a “derivative work,” two questions arise: first, what constitutes a “protectable” derivative work? Second, what constitutes an “infringing” derivative work? Each question will be analyzed in turn.

### ***B. Protectable and Infringing Derivative Works***

To receive federal copyright protection, a work of authorship must satisfy the requirements of originality and fixation as set forth in section 102(a).<sup>39</sup> Under section 103(a), derivative works are considered to be works of authorship under 102(a).<sup>40</sup> Therefore, to receive copyright protection, a derivative work must satisfy the requirements of originality<sup>41</sup> and fixation<sup>42</sup> under section 102(a).<sup>43</sup> However, in addition to these section 102(a) requirements,

---

<sup>38</sup> 17 U.S.C. § 101.

<sup>39</sup> 17 U.S.C. § 102(a) (stating that protected works of authorship include 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).

<sup>40</sup> 17 U.S.C. § 103(a).

<sup>41</sup> To satisfy the originality requirement of section 102(a), the additional material must have been independently selected or arranged and possess a minimum level of creativity. *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 358-59 (1991).

<sup>42</sup> To satisfy the fixation requirement, the additional material must be “fixed in a tangible medium of expression . . . [that] is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.” 17 U.S.C. § 101.

<sup>43</sup> 17 U.S.C. §§ 102(a), 103(a).

section 103(a) requires the preexisting portion of the derivative work to have been lawfully obtained, meaning the copyright owner of the preexisting work must have given the derivative work's creator permission to incorporate the preexisting work into the derivative work.<sup>44</sup> Using *Huntsman* as an example, a “protectable” derivative work can be expressed as the following formula:

$$\begin{array}{rcl} & \text{Preexisting Work (e.g., copyrighted movie on DVD)}^{45} & \\ + & \text{Additional Material (e.g., add-on software)} & \\ + & \text{[Originality + Fixation + Work of Authorship]}^{46} & \\ \hline = & \text{Protectable Derivative Work (e.g., edited movie)}^{47} & \end{array}$$

As will later be shown, this formula for “protectable” derivative works is often confused with the formula for “infringing” derivative works.

Copyright infringement is “[t]he act of violating any of a copyright owner’s exclusive rights granted by the federal Copyright Act.”<sup>48</sup> A contributory copyright infringer is anyone “who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.”<sup>49</sup> Because sections 102(a) and 103(a) concern the copyright

---

<sup>44</sup> See 17 U.S.C. § 103(a).

<sup>45</sup> Most courts require that derivative works incorporate a “substantial amount” of the preexisting work in order to qualify for protection. See Eric C. Surette, Annotation, *What Constitutes Derivative Work Under the Copyright Act of 1976*, 149 A.L.R. FED. 527, §§ 2, 7 (1998). However, some courts import the standard for copyright infringement instead and require a derivative work to be “substantially similar” to the preexisting work upon which it is based to qualify for protection. *Id.* §§ 2, 8. As will later be shown, it is this sort of confusion between the analysis for determining whether a derivative work is protected by copyright and the analysis for whether a derivative work infringes upon a copyright that has given rise to this Note’s argument.

<sup>46</sup> The authorship requirement of section 102(a) is satisfied because motion pictures and audiovisual works are listed as qualifying subject matter under section 102(a). 17 U.S.C. §§ 101, 102(a)(6).

<sup>47</sup> It should be noted that a copyright owner must satisfy the formality requirements of the Copyright Act, consisting of registration, publication, deposit, and notice to enforce his copyright to the fullest potential. See 17 U.S.C. §§ 101, 401, 407-08, 411(a). The issue of formalities has no bearing upon this Note.

<sup>48</sup> BLACK’S LAW DICTIONARY, *supra* note 2, at 785, referring to 17 U.S.C. § 501 (“Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 . . . is an infringer of the copyright.”).

<sup>49</sup> *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971); 3 MELVILLE B.

protection of a derivative work, the issue of “infringing” derivative works is wholly independent of those provisions. By definition, “infringing” derivative works cannot receive copyright protection.<sup>50</sup> Instead, the issue of “infringing” derivative works falls solely under section 106(2).

“Infringing” derivative works are unlawfully created derivative works where a preexisting work has been combined with some additional material to create a new work without the permission of the copyright owner of that preexisting work.<sup>51</sup> Therefore, using *Huntsman* as an example, an “infringing” derivative work can be expressed as the following formula:

$$\begin{array}{r} \text{Preexisting Work (e.g., copyrighted movie on DVD)}^{52} \\ + \text{Additional Material (e.g., add-on software)} \\ \hline = \text{Infringing Derivative Work (e.g., edited movie)} \end{array}$$

Unlike cases where the issue is whether there is a “protectable” derivative work<sup>53</sup>, “infringing” derivative works do not require a showing of originality, fixation, or authorship because section 102(a) does not apply to section 106(2).<sup>54</sup>

### ***C. Add-on Software as “Infringing” Derivative Works***

As mentioned earlier, two conflicting precedents have addressed the issue of whether an add-on software program or device constitutes an “infringing” derivative work under section 106(2). The first was established by the Seventh Circuit in *Midway*.<sup>55</sup> The second was

---

NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 12.04[A][2][a], at 12-78 (2003).

<sup>50</sup> See *Galoob*, 964 F.2d at 968.

<sup>51</sup> See *id.*

<sup>52</sup> This variable must have been infringed upon by the creator of the derivative work to constitute an “infringing” derivative work under section 106(2).

<sup>53</sup> See *supra* notes 45-47 and accompanying text.

<sup>54</sup> However, the Seventh Circuit goes against this definition by requiring a showing of originality. See *Lee*, 125 F.3d at 582.

<sup>55</sup> *Midway Mfg. Co. v. Artic Int’l, Inc.*, 704 F.2d 1009 (7th Cir. 1983).

established by the Ninth Circuit in *Galoob*.<sup>56</sup> Each case will be analyzed in turn.

### 1. *Midway Manufacturing. Co. v. Artic International, Inc.*

The *Midway* decision stands for the proposition that copyright owners are entitled to monopolize any derivative works that add value to their copyrighted works.<sup>57</sup> The litigation arose when the defendant corporation began manufacturing and distributing add-on devices, called “speed-up cards,” to video-arcade vendors that licensed the use of the plaintiff company’s copyrighted videogames.<sup>58</sup> The speed-up cards served as a permanent replacement for the original processing chips found inside the plaintiff’s videogame machines and functioned by increasing the rate of speed at which the images and sounds of the plaintiff’s videogames would change when being played.<sup>59</sup> This function made the videogames more challenging and exciting for players who would pay the vendors more for additional playtime because the speeded-up versions ended sooner.<sup>60</sup> As a result, the demand for the sped-up versions increased the vendors’ revenues. The plaintiff brought action against the videogame vendors and the defendant company for copyright infringement because it did not receive any royalties from the videogame vendors’ use of the speed-up cards in combination with the plaintiff’s videogames.<sup>61</sup> On appeal, the Seventh Circuit held the defendant corporation was liable for contributory copyright infringement because the speeded-up versions of the plaintiff’s videogames constituted

---

<sup>56</sup> *Galoob*, 964 F.2d at 965.

<sup>57</sup> *Midway*, 704 F.2d at 1014.

<sup>58</sup> *Id.* at 1010.

<sup>59</sup> *Id.* at 1010-11.

<sup>60</sup> *Id.* at 1013.

<sup>61</sup> *Id.*

infringing derivative works under section 106(2).<sup>62</sup>

Based on the incentive policy of copyright law, the court reasoned the sped-up videogames were infringing derivative works because the demand for those videogames created additional value to the plaintiff's preexisting copyrighted work.<sup>63</sup> As an illustration of that rationale, the Seventh Circuit distinguished the speed-up cards from vinyl record players.<sup>64</sup> Like the defendant's speed-up cards, record players can increase the rate of speed at which a record can be played.<sup>65</sup> However, record players do not contribute to the creation of an infringing derivative work because there is little or no demand for speeded-up records while there is an enormous demand for speeded-up videogames.<sup>66</sup> Sped-up videogames are a "substantially different product from the original game" that consumers are willing to pay for, thereby providing the plaintiff with an incentive to market speeded-up versions of its videogames separately.<sup>67</sup> The Seventh Circuit's rationale found support in the fact that the vendors' revenues increased after installing the speed-up cards into the plaintiff's videogame machines.<sup>68</sup> Since a demand for sped-up versions of the plaintiff's preexisting videogames existed, the "new" videogames created with the use of the defendant's speed-up cards constituted "infringing" derivative works.<sup>69</sup> This precedent set by the Seventh Circuit for what constitutes a derivative

---

<sup>62</sup> *Id.*

<sup>63</sup> *Id.* at 1014.

<sup>64</sup> *Id.* at 1013.

<sup>65</sup> *Id.*

<sup>66</sup> *Id.*

<sup>67</sup> *Id.* at 1014.

<sup>68</sup> *Id.* at 1013.

<sup>69</sup> *Id.* at 1014.

work under section 106(2) differs considerably from the precedent set by the Ninth Circuit.<sup>70</sup>

## ***2. Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.***

Unlike the Seventh Circuit's rule, the Ninth Circuit's rule for determining whether an add-on software program or device qualifies as an "infringing" derivative work under section 106(2) is not based on a showing of market demand for the resulting audiovisual work.<sup>71</sup> The Ninth Circuit's decision in *Galoob* stands for the proposition that the preexisting portion of a derivative work must have been impermissibly incorporated "in some concrete or permanent form" for it to constitute an "infringing" derivative work under section 106(2).<sup>72</sup> The *Galoob* decision revolved around another videogame add-on device called the *Game Genie*. The plaintiff corporation Nintendo of America manufactured and distributed a home videogame console called the Nintendo Entertainment System (NES) and various videogames played on the NES console.<sup>73</sup> The defendant corporation, Lewis Galoob Toys, manufactured and distributed the *Game Genie*.<sup>74</sup> Unlike the add-on devices at issue in *Midway*, which were permanently installed into the plaintiff's videogame machine by replacing its original processing chip, the *Game Genie* was only installed temporarily into the NES console.<sup>75</sup> The *Game Genie* was activated by inserting one of the plaintiff's videogame cartridges into the *Game Genie* device and then inserting that new combination into the NES console.<sup>76</sup> Once activated, the *Game Genie*'s

---

<sup>70</sup> Compare *Midway*, 704 F.2d at 1013-14, with *Galoob*, 964 F.2d at 965.

<sup>71</sup> *Galoob*, 964 F.2d at 969 ("[T]he existence of a market does not, and cannot, determine *conclusively* whether a work is an infringing derivative work.") (emphasis added).

<sup>72</sup> *Id.* at 967.

<sup>73</sup> *Id.*

<sup>74</sup> *Id.*

<sup>75</sup> *Id.* at 969.

<sup>76</sup> *Id.* at 967.

software would function by blocking the value for a single data byte sent by the plaintiff's videogame cartridge to the NES console's processing chip.<sup>77</sup> It would then replace that blocked data byte with a new value.<sup>78</sup> The resulting effect augmented the original audiovisual works of the plaintiff's underlying videogame by allowing the player to "cheat" his way through the videogame.<sup>79</sup> For example, if a player wanted to grant his videogame character more lives than were permitted by the plaintiff's videogame, he could activate the *Game Genie*, which would grant him the additional lives. The plaintiff brought action claiming the combination of its protected videogames and the defendant's *Game Genie* constituted an "infringing" derivative work.<sup>80</sup>

Before the Ninth Circuit could resolve the overriding issue of contributory copyright infringement, it had to address the issue of whether the "new" videogames created in part by the *Game Genie* qualified as "derivative works" under section 106(2). The Ninth Circuit addressed this sub-issue by looking first at the section 101 definition of derivative works.<sup>81</sup> In doing so, the court determined that fixation, one of the aforementioned requirements for establishing copyright protection under section 102(a), was not required by the section 101 definition of "derivative works."<sup>82</sup> However, the Ninth Circuit also determined that the examples of derivative works listed under the section 101 definition, consisting of any "form in which a work may be *recast*,

---

<sup>77</sup> *Id.*

<sup>78</sup> *Id.*

<sup>79</sup> *Id.*

<sup>80</sup> *Id.* at 969.

<sup>81</sup> *Id.* at 967.

<sup>82</sup> *Id.* at 967-68.

*transformed, or adapted,*” were all “works” that physically incorporated the underlying work.<sup>83</sup> Therefore, the Ninth Circuit was required to turn its attention to the term “work” in the section 101 definition of derivative works.<sup>84</sup> The court interpreted the term “work” as referring to the various other types of works made protectable by the Copyright Act, including audiovisual works.<sup>85</sup> Through its interpretation of “embodied” in the section 101 definition of “audiovisual works,” the Ninth Circuit reasoned that “audiovisual works” can only exist if they are “fixed” in some physical form.<sup>86</sup> Combining its interpretation of the term “audiovisual works” with its interpretation of the 1976 Act’s legislative history, which states that an “infringing work must incorporate a portion of the copyrighted work in some form,” the Ninth Circuit concluded that a work qualifies as a “derivative work” under section 106(2) if the preexisting work has been incorporated “in some concrete or permanent form.”<sup>87</sup>

After establishing its new rule, the court turned to the issue of contributory copyright infringement. Since the *Game Genie* only altered the plaintiff’s preexisting videogames and was incapable of producing an audiovisual work by itself without being combined with the plaintiff’s videogames, the Ninth Circuit reasoned the *Game Genie* was useless.<sup>88</sup> Therefore, the Ninth Circuit held that the defendant corporation was not liable for contributory copyright infringement. The combination of the defendant’s *Game Genie* and the plaintiff’s videogames did not constitute infringing derivative works under section 106(2) because consumers using the

---

<sup>83</sup> *Id.* at 968 (emphasis added); see 17 U.S.C. § 101.

<sup>84</sup> *Galoob*, 964 F.2d at 968.

<sup>85</sup> *Id.* Videogames qualify as “audiovisual works.” See § 101 (defining “audiovisual works”).

<sup>86</sup> *Galoob*, 964 F.2d at 968.

<sup>87</sup> *Id.* at 969.

<sup>88</sup> *Id.*

*Game Genie* did not incorporate the plaintiff's preexisting audiovisual works "in some concrete or permanent form."<sup>89</sup>

Based on the access policy of protecting "society's competing interest in the free flow of ideas, information, and commerce," the Ninth Circuit further explained its decision by distinguishing the *Game Genie* from the speed-up cards at issue in *Midway*.<sup>90</sup> In *Galoob*, players could not perceive the *Game Genie*'s audiovisual works for more than a transitory period because the add-on device could not reproduce an underlying work when used without the plaintiff's videogame console and videogames.<sup>91</sup> Therefore, consumers were unwilling to pay for the *Game Genie*'s audiovisual works because they only existed for a brief and fleeting moment.<sup>92</sup> In contrast, the audiovisual works of the speed-up cards at issue in *Midway* were a "concrete and permanent" part of the underlying videogames because their installation required the replacement of the videogame machines' original processing chips, the device that reproduces the plaintiff's videogames in the machines.<sup>93</sup> Therefore, they became an inseparable component of the underlying works.<sup>94</sup> As a result, the consumers in the *Midway* were willing to pay for the speed-up cards' audiovisual works because their reproduction of an underlying videogame was a permanently integrated function of the videogame machine that would exist forever, which is longer than a transitory period.<sup>95</sup>

---

<sup>89</sup> *Id.*

<sup>90</sup> *Id.* (quoting *Sony*, 464 U.S. at 429).

<sup>91</sup> *Id.*

<sup>92</sup> *Id.* at 969.

<sup>93</sup> *Id.*

<sup>94</sup> *See id.*

<sup>95</sup> *Id.*

Today, the circuit courts are split over whether to follow the precedent set by *Midway* or the precedent set by *Galoob*. The decision a court will follow depends on the copyright policy, either the incentive policy or the access policy, the court is willing to follow.<sup>96</sup> Since *Huntsman* is currently pending in the District of Colorado, its law is governed by the Tenth Circuit, which follows the precedent of *Midway*.<sup>97</sup>

#### IV. A SLIGHT DISAGREEMENT WITH *GALOOB*

Consistent with the Ninth Circuit's conclusion in *Galoob*, this Note argues that add-on software should fall outside the scope of section 106(2), rendering the Seventh Circuit's holding in *Midway* in error. However, this Note also disagrees with the precedent of *Galoob* as to *why* the use of add-on software does not fall within the scope of section 106(2). Using *Huntsman* as an example, several policy considerations will be explored to demonstrate add-on software providers should be free from copyright infringement liability. These considerations will then be followed by arguments explaining why the precedents of *Midway* and *Galoob* are in error.

##### ***A. Policy Arguments for Freeing Add-on Software Producers from Liability***

The following policy arguments are made in support of the legal thesis presented by this Note in favor of freeing add-on software providers from contributory copyright liability based on

---

<sup>96</sup> Compare *Micro Star v. Formgen, Inc.*, 154 F.3d 1107, 1112 (9th Cir. 1998) (holding new game maps marketed for a protected computer game without the permission of the copyright holder were derivative works under section 106(2)), and *Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc.*, 192 F. Supp. 2d 321, 331 (D.N.J. 2002) (holding film trailers based on another's films were derivative works under section 106(2)), with *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255, 268 (5th Cir. 1988) (holding code-breaking program designed to bypass an anti-copying software program was not a derivative work under section 106(2)), and *U-Haul Int'l, Inc. v. Whenu.com, Inc.*, 279 F. Supp. 2d 723, 729 (E.D. Va. 2003) (holding Internet pop-up advertisements appearing in front of a protected Internet advertisement were not derivative works under section 106(2)), and *Precious Moments, Inc. v. La Infantil, Inc.*, 971 F. Supp. 66, 69 (D.P.R. 1997) (holding use of a protected fabric pattern on baby furniture was not a derivative work under section 106(2)), and *Lee v. Deck the Walls, Inc.*, 925 F. Supp. 576, 582 (N.D. Ill. 1996) (holding artwork glued onto a ceramic tile was not a derivative work under section 106(2)).

<sup>97</sup> See *Paramount Pictures Corp. v. Video Broad. Sys., Inc.*, 724 F. Supp. 808, 821 (D. Kan. 1989) (holding advertisements added to a videotape preceding the protected movie contained on that videotape were not derivative works under section 106(2) because they were not substantially different products from the protected movie).

consumer liability under section 106(2).

### **1. No Loss of Incentive to Create Future Works**

The first policy consideration is found in the incentive policy for copyright law. In *Huntsman*, the filmmakers argue the unlicensed sale of add-on software reduces their incentive to create movies, because their expressions have impermissibly been augmented and marketed for profit.<sup>98</sup> The counterargument, however, is that the filmmakers' incentive to create more movies is not reduced by the add-on software because that particular incentive has already been satisfied. Since consumers must purchase the filmmakers' DVD to use the provided add-on software, the filmmakers have already received their entitled royalty fee. Therefore, the filmmakers' incentive to make more movies has not been damaged, because the add-on software is not a market substitute for the studios' DVD movies.<sup>99</sup>

A second counterargument can be made that the filmmakers are provided with an economic incentive to improve upon their preexisting works and/or to create new works by permitting others to develop and market add-on software. This counterargument is grounded on the idea that improvements provided by the add-on software to a copyright owner's preexisting work makes the copyright owner aware of the niche market demand for such improvements.

---

<sup>98</sup> Defendants' Answer and Counterclaims at 6, *Huntsman* (No. 02-1662). It has also been argued that the add-on software could "effectively destroy the control that directors have over their films after completion and weaken the hold of studios on their copyrighted works." Lee, *supra* note 21, at 51. However, "[a] victory for the directors could [also] establish their right to control the content of their motion pictures after they complete them and could also generally strengthen moral rights in the United States," which could "give them effective control over any new motion picture art form." *Id.* at 52.

<sup>99</sup> See *Sony*, 464 U.S. at 451 (requiring "some meaningful likelihood of future harm" to copyright owner's market) (emphasis added); see *Campbell*, 510 U.S. at 593 (reasoning evidence of substantial harm to a copyright owner's market by an unauthorized derivative work goes against a finding of fair use because the licensing of derivative works is an important economic incentive to copyright owners). While this argument supports the add-on software providers in *Huntsman*, it does not support the edited video retailers in *Huntsman*. The sale of edited videos can supplant the demand for unedited DVD movies, where, unlike the add-on software edited movies, consumers of the edited videotapes do not have to purchase the original version of a movie in order to view its edited version. Therefore, the edited video retailers create a likelihood of future harm to the plaintiffs' markets. See *Sony*, 464 U.S. at 451.

While sound in theory, this counterargument fails in practice.<sup>100</sup> However, even weak arguments can encourage others to develop their thoughts and ideas. Therefore, this Note will explain this second counterargument in further detail.

The financial risk associated with producing and distributing a film is exponential, because a film's production and distribution involves high costs and low returns, if any, on investment.<sup>101</sup> These financial risks are even greater when it is unknown whether a viable market exists for a certain movie, such as the edited version of an already existent movie.<sup>102</sup> Therefore, market research must be conducted to determine whether the market is demanding the release of a movie's edited version. Filmmakers can avoid the sunk costs of market research by allowing add-on software companies, like Trilogy Studios, to take on the financial risk of producing and distributing the edited movies. By observing the add-on software providers' sales performance, a filmmaker could determine whether a viable market exists for an edited version of his movie. Should a viable market exist, the filmmaker could easily move into that market

---

<sup>100</sup> This counterargument that filmmakers can resolve the *Huntsman* matter by distributing an edited version of their films on the original's DVD as an extra feature is not new. See Nicole Griffin Farrell, Note, *Frankly, We Do Give a . . . Darn! Hollywood's Battle Against Unauthorized Editing of Motion Pictures: The "CleanFlicks" Case*, 2003 UTAH L. REV. 1041, 1042, 1074-75. However, as it will later be explained, this argument could prove to be an impractical solution for those films currently on the market. Unless a filmmaker has agreed to make an edited version of his movie during its development stage, it is not likely that he will compromise the artistic integrity of his film to satisfy the demand of a niche market because, inter alia, it is common knowledge that filmmakers, as artists, can become very attached to even the slightest detail of their films. *Contra id.* at 1075 (questioning the attachment directors have to the "cuss words and sex scenes" in their movies). See, e.g., Defendants' Answer and Counterclaims at 6, *Huntsman*, (No. 02-1662).

<sup>101</sup> The reason for such a large financial risk is because "each film is in and of itself a marketing experiment." Harold L. Vogel, *Analyzing Movie Companies*, in THE MOVIE BUSINESS BOOK 161 (Jason E. Squire ed., Fireside 2d 1992). For instance, "the motion picture business generates internal rates of return of between 0% and 20% or more, with the average (and mean) somewhere in the 8%-15% area." Peter J. Dekom, *Movies, Money and Madness*, in THE MOVIE BUSINESS BOOK 125 (Jason E. Squire ed., Fireside 2d 1992). However, the average cost for producing an MPAA-member feature film in 2003 was \$63.8 million. Motion Picture Association of America (MPAA), *U.S. Entertainment Industry: 2003 MPA Market Statistics*, Slide 19 of 58 (average negative costs in 2003), at <http://www.mpa.org/useconomicreview> (last visited August 9, 2004).

<sup>102</sup> When a movie is made, "[t]he initial capital investment in production and marketing is risked without knowing how many units (including theater tickets, home video sales and rentals, television viewings, and the like) will ultimately be demanded." VOGEL, *supra* note 8, at 18. Therefore, it is imperative for a filmmaker to know as much about the market as he can before investing in a project.

and successfully compete with the add-on software companies, because he could theoretically provide consumers with a product of higher quality and lesser cost.<sup>103</sup>

The copyright owners of preexisting works can successfully engage in competition with the creators of add-on software for two reasons. First, consumers must purchase both a DVD movie and the add-on software for that DVD movie in order to create the add-on software provider's edited version, which can be a costly endeavor.<sup>104</sup> However, because the storage capacity of a DVD is enormous,<sup>105</sup> filmmakers can simply place the edited version of a movie on the same DVD as its original version. Therefore, filmmakers would be able to undercut competing add-on software providers because consumers only need to purchase the filmmakers' DVD to view the edited version of their movie. To cover the filmmaker's cost of developing and distributing the edited version, consumers would only have to pay an amount slightly above the current price of a DVD.<sup>106</sup>

Second, because the filmmakers have access to the original source materials for their movies/expressions, such as the original movies' directors and screenwriters, they are more adept

---

<sup>103</sup> Basic economic theory dictates that in following a downward-sloping demand curve, the quantity demanded for a product increases when its price decreases. JOHN BLACK, A DICTIONARY OF ECONOMICS 132 (1st ed. 1997). The demand curve for leisure activities, such as watching movies, follows this downward-sloping demand curve. VOGEL, *supra* note 8, at 10.

<sup>104</sup> For example, to use ClearPlay's DVD editing software, consumers must first purchase the underlying DVD and then purchase ClearPlay's add-on software. The DVD for *Proof of Life* costs \$13.47 on Amazon.com. *See e.g.* Amazon.com, at <http://www.amazon.com> (price as of Jan. 8, 2004). A subscription for ClearPlay's DVD editing software runs at \$7.95/month. Edward C. Baig, *Skipping the Bad Stuff Isn't Always So Good*, USA TODAY, Jan. 22, 2003, at D5; *see* ClearPlay website, *supra* note 16, at <http://www.clearplay.com>.

<sup>105</sup> DVDs can provide up to seventeen gigabytes of storage capacity, which is about twenty-five times more storage space than a conventional compact disc (CD). SYDNEY W. HEAD ET AL., BROADCASTING IN AMERICA: A SURVEY OF ELECTRONIC MEDIA 76, 146 (9th ed. 2001).

<sup>106</sup> Lee, *supra* note 21, at 52 ("Such alternative cuts would not detract from the market for the original motion picture, since it would be packaged with it as a value-added feature."). A research study conducted by Trilogy Studios concluded that "if a single new blockbuster title was released on DVD with rating 'masks' created by the movie's original producer, the movie's overall revenue would increase by \$170 million." PR Newswire, *supra* note 20.

at “enhancing” their own works than competitors are.<sup>107</sup> Take, for example, film director Taylor Hackford, who is one of the filmmakers opposing the add-on software providers’ practices in the *Huntsman* case.<sup>108</sup> As a party to the pending litigation, Mr. Hackford alleges the edited version of his film *Proof of Life*, developed in part by the add-on software, is of poor quality and diminishes “the continued artistic integrity of [his] work.”<sup>109</sup> If Mr. Hackford is supposed to know *what is not* considered to be a good edited version of his movie, then it should follow that he knows *what is* considered to be a good edited version of his movie because he made the movie’s original version. Therefore, Mr. Hackford should be able to make an edited version of his movie that is superior to the competing add-on software providers’ version because he has access to his own mind, which is the original source material for *his* movie.<sup>110</sup> The argument can be made, however, that even Mr. Hackford’s edited version of *Proof of Life* would not be sufficiently edited to satisfy the entire market demand for an edited version of *Proof of Life*. Should that be the case, filmmakers could make a business decision, based again on the add-on software providers’ sales, as to whether it is worth the financial risk to develop and distribute a “new,” more extensively edited version of *Proof of Life*.

As conceded above, this second counterargument against the filmmakers’ contention that the unlicensed sale of add-on software reduces their incentive to create movies is impractical.

---

<sup>107</sup> Filmmakers have already committed themselves to this practice by marketing “director’s cut” versions of films and shooting “secondary versions” of a film’s scenes for television broadcast. See MICHAEL F. MAYER, *THE FILM INDUSTRIES* 92 (Hastings House 1978) (1973).

<sup>108</sup> Defendants’ Answer and Counterclaims at 1, *Huntsman* (No. 02-1662).

<sup>109</sup> *Id.* at 6; Shannon Starr, *New Business Offers ‘Sanitized’ Movies*, *THE PRESS-ENTERPRISE*, Aug. 30, 2003, at A01 (film expert Robert Rosen opined the edited version of *Proof of Life* “mutilated” the original version because it was “choppy” and “disrupt[ed] the continuity of the movie.”).

<sup>110</sup> Intellectual property attorney Mark S. Lee has suggested, “[t]he studios could make more money and blunt public criticism by simply marketing the television versions of the motion pictures . . . They could provide their television cuts on DVDs, either alone or with the theatrical version and/or a director’s cut of the film.” Lee, *supra* note 21, at 52. (emphasis added).

The reason is twofold. First, filmmakers will not decide whether a viable ancillary market exists based solely on the sales performance of a comparable product. Like businessmen in any other industry, filmmakers invest in costly market research for a reason. It is foolish to invest millions of dollars in a product based upon a single piece of research data.<sup>111</sup> Therefore, it is not likely that a filmmaker will use the sales performance of an add-on software provider as the sole determinant of whether there exists a viable market for an edited version of his movie. Second, just because filmmakers have access to the original source materials for their movies/expressions does not mean they are able to create an edited movie that is superior to a competitors' edited version. Creating an edited version of a movie can be both costly and problematic. In practice, the creation of an edited version would require the parties to a movie -- such as the film's producers, distributors, and talent -- to renegotiate their original contracts.<sup>112</sup> Issues regarding profit participation and distribution fees for the edited version would have to be addressed and renegotiated. These renegotiations become even more cumbersome when a party to the movie, such as the film's director, does not want to create an edited version of his artistic expression. While it has been shown that the second counterargument is unpersuasive, the remaining policy arguments that follow still carry weight.

## **2. Diversity in the Marketplace of Ideas**

A second policy consideration is found in the access policy of copyright law. In *Huntsman*, the filmmakers could argue that a copyright owner should not have to improve upon his copyrighted work if he does not want to because he has been granted the exclusive control of

---

<sup>111</sup> For example, the Motion Picture Association of America (MPAA) annually provides *multiple* market research data points about the film industry and markets, including gross box office receipts, advertising expenditures, and DVD market penetration. *See, e.g.*, MPAA, *supra* note 101 (emphasis added).

<sup>112</sup> “[P]roducers, financiers, and distributors [need] to control multiple Reproductive and Derivative Media rights” in order to retain a share of a film’s revenues. SELZ, *supra* note 9, § 3.08, at 3-46.

his work by copyright law.<sup>113</sup> The counterargument is that add-on software providers should be permitted to provide society with access to their improvements upon copyrighted works when the copyright owner has failed to satisfy society's demand for those improvements.<sup>114</sup> In other words, the counterargument can be made that an allegedly infringing work should be considered a permissible use under the First Amendment's guarantee of freedom of expression when it "advances the public interest."<sup>115</sup> Expanding the scope of a copyright owner's exclusive rights to include the control of add-on software goes against a central tenet of the First Amendment, securing "the widest possible dissemination of information from diverse and antagonistic sources."<sup>116</sup> Therefore, a rule denying society's access to the enhancements provided by add-on software is in conflict "with the First Amendment[']s] commitment to attain a diverse, decentralized 'marketplace of ideas'" when there is a public demand for such enhancements.<sup>117</sup>

Further, allowing a copyright owner's monopoly to limit diversity in the marketplace of ideas goes against the purpose of copyright law. The progress of science and the useful arts cannot be attained when society is unable to benefit from an apparent improvement upon an existing work because the copyright owner chooses not to expand his limited monopoly into a realized market.<sup>118</sup> The rationale behind granting a monopoly to copyright owners "lie[s] in the

---

<sup>113</sup> H.R. REP. NO. 94-1476, at 61 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5674 ("The exclusive rights accorded to a copyright owner under section 106 are 'to do and to authorize' any of the activities specified in the five numbered clauses.").

<sup>114</sup> *See Sony*, 464 U.S. at 430; *see also Galoob*, 964 F.2d at 969.

<sup>115</sup> Yochai Benkler, *Free as the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain*, 74 N.Y.U. L. REV. 354, 388 (1999) (arguing that a copyright owner's exclusive control of his intellectual property may abridge another's freedom of speech by reducing the diversity of information sources).

<sup>116</sup> Benkler, *supra* note 115, at 358 (quoting *Associated Press v. United States*, 326 U.S. 1, 20 (1945)).

<sup>117</sup> *See* Benkler, *supra* note 115, at 358.

<sup>118</sup> *Sony*, 464 U.S. at 429 ("In enacting a copyright law Congress must consider . . . two questions: First, how much will the legislation stimulate the producer and so benefit the public; and, second, how much will the monopoly

general benefits derived by the public from the labors of the authors.”<sup>119</sup> The public cannot benefit from the labors of an author if the author *is able to*, but *chooses not to* labor to satisfy the public’s need. Though filmmakers are able to, they choose not to satisfy the public’s need for edited versions of their movies. For example, if there is a demand for the development of an edited version of *Proof of Life*, filmmakers will not make that particular version if they believe the demand is not great enough to provide a suitable return on their investment. From the filmmaker’s perspective, the cost of developing the edited version of *Proof of Life* would include the financial risk of outsourcing, or even licensing, a third party to develop the edited version. If the filmmakers are unwilling to take on the financial risk of introducing an edited version of *Proof of Life* into the consumer market, and therefore the “marketplace of ideas,” then why should others who are willing to take on that financial risk be punished? Moreover, why should those willing to take on that financial risk be punished when the market must buy the original DVD to view the demanded for edited version?<sup>120</sup> Copyright owners should not be able to deny others access to an existing market if they have no intention of entering into that market themselves.<sup>121</sup> Doing so will only restrict the development of a diverse marketplace of ideas.

### **3. Consumer Autonomy**

Similar to the argument that protecting add-on software providers from copyright infringement liability helps increase diversity in the “marketplace of ideas” is the argument of

---

granted be detrimental to the public?”) (quoting H.R. REP. NO. 2222, 60th Cong., at 7 (2d. Sess. 1909)).

<sup>119</sup> *Id.* at 432 (citing *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932)).

<sup>120</sup> The financial risk is even greater for these new add-on software companies than it is for the studios because “*the cost of capital and the amount of it required for operations becomes a formidable barrier to entry by new competitors.*” VOGEL, *supra* note 8, at 352 (emphasis added).

<sup>121</sup> See *Campbell*, 510 U.S. at 594 (holding that a parody was fair use because, inter alia, there was no evidence that the copyright owner intended to enter upon the market for parodies based upon his protected work).

consumer autonomy. Copyright law takes into consideration the concept of granting consumers some personal autonomy over the copyrighted works they have lawfully purchased. For example, the first sale doctrine allows the lawful owner of a particular copy of a protected work, “without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy.”<sup>122</sup> Therefore, under the first sale doctrine, the copyright owner has no control over who the purchaser of his expression may resell that expression to, and for how much. The courts have implicitly recognized another right under copyright law protecting the personal autonomy of consumers of protected expressions. This implied right holds that “[c]onsumers have an interest in some degree of autonomy in their consumption of copyrighted works,” which indicates that society wants the purchasers of copyrighted works to retain some “freedom and autonomy in choosing precisely when and how [and under what circumstances] to consume the [copyrighted] work.”<sup>123</sup> Like home videotape recorders (VTRs)<sup>124</sup> and *Game Genies*,<sup>125</sup> a “meaningful likelihood of future harm” to the filmmakers’ market does not exist when consumers, for the purpose of private, non-commercial viewing in their own home, create edited movies using add-on software and their own legally acquired DVD movie. A consumer must be able to retain some personal autonomy in choosing what to do with his lawfully obtained DVD movie, as long as it is “for legitimate, unobjectionable purposes.”<sup>126</sup> The creation of edited movies for a “private, noncommercial” use in one’s own home is a “legitimate, unobjectionable

---

<sup>122</sup> 17 U.S.C. § 109(a).

<sup>123</sup> Joseph P. Liu, *Copyright Law’s Theory of the Consumer*, 44 B.C. L. REV. 397, 406 (2003).

<sup>124</sup> *Sony*, 464 U.S. at 456 (holding videotape recorders are capable of substantial non-infringing uses).

<sup>125</sup> *Galoob*, 964 F.2d at 970 (dictum) (stating the *Game Genie* is capable of “non-commercial, non-profit” uses).

<sup>126</sup> *Sony*, 464 U.S. at 442.

purpose” for retaining personal consumer autonomy.<sup>127</sup>

#### **4. Development of New Technologies**

A final policy consideration touches upon both the incentive and access policies of copyright law. This argument provides that if add-on software providers are held liable for contributory copyright infringement, then others will not create technologies that improve upon the add-on software providers’ ideas for fear of infringement liability. In this regard, copyright law is being used as a tool that hinders the growth of new and productive technologies. This restriction is contrary to the Copyright and Patent Clause of the United States Constitution, which calls for Congress “to Promote the *Progress* of Science and the useful Arts” (emphasis added).<sup>128</sup> This restriction is also bad business for copyright owners. The *Huntsman* case is the best illustration of how using copyright law to hinder the development of new technologies could lead to bad business for copyright owners.<sup>129</sup>

---

<sup>127</sup> *See id.*

<sup>128</sup> U.S. CONST. art. I, § 8, cl. 8 (emphasis added); *see Sony*, 464 U.S. at 429.

<sup>129</sup> Another technology that could be affected by a decision favoring copyright owners over add-on software providers is interactive television (iTV). Television industry revenue is currently down because television advertisements are no longer reaching television’s passive viewers, due largely in part by the advent of digital video recorders (DVRs). *See* Steve McClellan, *Report: No More Baby Steps for Interactive TV*, BROAD. & CABLE, Sept. 15, 2003, at 23 (discussing the results of Jupiter Research’s recent research study on the impact of iTV on television advertising revenue). One solution to this decline in television revenue currently being considered is iTV. *See id.* Since iTV allows users to actively interact with what they see on their television screens, hence the name iTV, iTV users are better able to recall certain programs and advertisements. *Id.* One of the most visible examples of iTV today is *Gemstar’s TV Guide On Screen*. “TV Guide On Screen is an interactive program guide that . . . offers interactive on-screen program listings that enable viewers to quickly and easily navigate, sort, select, and schedule television programming for viewing and recording, all with simple remote control commands.” Gemstar-TV Guide International website, *TV Guide On Screen*, at <http://www.gemstartvguide.com/whatwedo/tvgonscreen.asp> (last visited Mar. 18, 2004) (describing how TV Guide On Screen works). A key feature of *TV Guide On Screen* is the “Video Window,” which “lets viewers monitor the last channel tuned *while viewing* program listings, or preview channels *as they page through listings*” *Id.* (emphasis added). Like the add-on software at issue in *Huntsman*, the “Video Window” layers its program content on top of a television program that retains copyright protection. In short, *TV Guide On Screen* and the remainder of iTV are add-on software programs. Therefore, a decision favoring copyright owners over add-on software providers could threaten the future development of iTV and its potential benefits to the television industry.

Unlike DVD-decryption software,<sup>130</sup> or even MP3s,<sup>131</sup> the add-on software at issue in *Huntsman* does not threaten the motion picture industry because it does not supplant the market demand for DVD movies. In bringing legal action against the add-on software providers for copyright infringement, the filmmakers may be hurting themselves in two ways. First, the filmmakers may find themselves fighting an uphill legal battle.<sup>132</sup> The inapplicability of the DMCA to add-on software exemplifies how the law cannot keep up with the growth of technology because it is inevitable new technologies that will circumvent the confines of copyright law.<sup>133</sup> Second, if the filmmakers successfully enjoin the further development of add-on software, they could hinder the growth of a technology that could prove to be of future use to the motion picture industry. This second argument parallels the *Sony Corporation of America v. Universal City Studios, Inc.* decision. In *Sony*, the movie studios attempted to halt the development of VTRs by claiming the devices, like the add-on software in *Huntsman*, were contributory infringing devices.<sup>134</sup> The Supreme Court held the VTRs were non-infringing devices because they were capable of substantial non-infringing uses.<sup>135</sup> After the *Sony* decision,

---

<sup>130</sup> See *Universal City Studios v. Corley*, 273 F.3d 429, 449 (2d Cir. 2001) (holding DVD decryption software developer liable for contributory copyright infringement).

<sup>131</sup> See *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1022 (9th Cir. 2001) (holding on-line music file-sharing service provider liable for contributory copyright infringement).

<sup>132</sup> Lee, *supra* note 21, at 52. In fact, “[a]dministering legal thrashings to small companies that are only trying to produce the family-friendly entertainment that the studios already provide to broadcast television might be perceived as hypocritical and would likely make the studios a target for political attack.”

<sup>133</sup> H.R. REP. NO. 94-1476, at 51 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5664 (“[S]cientific discoveries and technological developments have made possible new forms of creative expression that never existed before . . . [a]uthors are continually finding new ways of expressing themselves, but it is impossible to foresee the forms that these new expressive methods will take.”); see Ginsburg, *supra* note 26, at n.98 (stating ClearPlay and Movie Mask’s add-on software “have found a way to accomplish at least some of what section 1201 [of the DMCA] may have been seeking to avoid without risking its violation”).

<sup>134</sup> *Sony*, 464 U.S. at 420.

<sup>135</sup> *Id.* at 421.

the home videotape market, consisting of videotape sales and rentals, became “the primary source of [the studios’] profits.”<sup>136</sup> Had the studios succeeded in hindering the development of VTR technology, they would have limited the motion picture industry’s growth and future revenues.<sup>137</sup>

In summary, it may be in the filmmakers’ best interests, in the long run, to leave the add-on software providers alone and to see where the add-on software technology can take the motion picture industry.<sup>138</sup> Immediate legal action against the add-on software providers may not be the best strategy because, *inter alia*, it may hinder the growth of a new technology.<sup>139</sup>

### ***B. The Problem With Midway***

Based on the foregoing policy arguments, this Note disagrees with the *Midway* decision. The Seventh Circuit’s rule that the use of a combination of a protected work and an add-on software program constitutes a derivative work, within the meaning of “derivative works” under section 106(2), is in error. An expansion of the scope of section 106(2) to include add-on software “would chill innovation and fail to protect ‘society’s competing interest in the free flow of ideas, information, and commerce.’”<sup>140</sup>

---

<sup>136</sup> VOGEL, *supra* note 8, at 124; *see* DIZARD, *supra* note 10, at 133 (“By 1998, home video sales and rental were a \$17 billion business; this is more than double anticipated box office revenues.”).

<sup>137</sup> DIZARD, *supra* note 10, at 132. About eighty percent of the film industry’s income comes from home video and television sales. VOGEL, *supra* note 8, at 353 (“On going technological *development makes it even easier and less expensive to manufacture, distribute, and receive entertainment products and services.*”) (emphasis added).

<sup>138</sup> It has already been argued that “[a]n entirely new industry could arise to service . . . consumer desires that legally would owe nothing to the directors or motion picture studios.” Lee, *supra* note 21, at 52. Therefore, whether the emergence of this new industry “would be good or bad for motion pictures or the public is an important question that the [*Huntsman*] litigation may not be well equipped to consider, let alone answer.” *Id.*

<sup>139</sup> The film industry has a history of not coming “to terms with emerging technologies that alter both their products and the ways they are distributed.” DIZARD, *supra* note 10, at 134. But with new technologies emerging faster than ever before, the film industry may need to change its business plan and start making accommodations for these new technologies in order to survive. *See id.*

<sup>140</sup> *Galoob*, 964 F.2d at 969 (quoting *Sony*, 464 U.S. at 429).

Furthermore, the rationale behind the *Midway* rule is in error. It is improper to enlarge the scope of a copyright owner's monopoly to include add-on software because the demand for "derivative works," created with the assistance of an add-on software program, creates additional value for the copyright owner's preexisting work. Add-on software only enhances a copyrighted work; it does not contribute to the replacement of a copyrighted work. But even if add-on software does contribute to the market's replacement of a copyrighted work, "the existence of a market does not, and cannot, determine conclusively whether a work is an infringing derivative work."<sup>141</sup> Therefore, copyright owners should not be permitted to recover under the precedent of *Midway* because that particular decision is in error where add-on software *does not create* "some meaningful likelihood of future harm."<sup>142</sup>

### ***C. A Problem With Galoob***

This Note agrees with the rule and conclusion of the *Galoob* decision that works created in part by add-on software are not infringing derivative works because they do not supplant the demand for a copyright owner's work. However, this Note disagrees with the rationale of the *Galoob* decision that such works are not infringing derivative works because they do not "contain or produce [a protected work's] output *in some concrete or permanent form*."<sup>143</sup> The latter's rationale is inconsistent with the legislative history of the 1976 Act.

It has been argued that the Ninth Circuit's "concrete or permanent form" rule erroneously creates a dual definition for derivative works.<sup>144</sup> One definition holds that "protected" derivative works "require fixation and originality" while the other definition holds that "infringing"

---

<sup>141</sup> *Galoob*, 964 F.2d at 969.

<sup>142</sup> *Sony*, 464 U.S. at 451 (emphasis added).

<sup>143</sup> *Galoob*, 964 F.2d at 969 (emphasis added).

<sup>144</sup> See Black & Page, *supra* note 15, at 626.

derivative works do not “require fixation and originality.”<sup>145</sup> The argument that the *Galoob* decision creates a “dual definition” for derivative works is incorrect for two reasons. First, aforementioned above, the 1976 Act originally intended derivative works to have a dual definition for derivative works in order to prevent the mistake of including the section 102(a) requirements for copyright protection in a section 106(2) infringement analysis. For example, the Seventh Circuit requires a finding of originality before a derivative work can qualify for infringement whereas the Ninth Circuit does not require originality.<sup>146</sup> The legislative history of the 1976 Act explicitly states, “the preparation of a derivative work . . . may be an infringement, even though nothing is ever *fixed* in tangible form.”<sup>147</sup> The *Galoob* decision is inconsistent with this proposition. Second, the *Galoob* decision does not create the argued dual definition. The Ninth Circuit’s rule imports the fixation requirement of section 102(a) into the definition of “infringing” derivative works under section 106(2) by re-phrasing the term “fixed” as “concrete or permanent form.”<sup>148</sup> The degree of tangibility required by a “concrete or permanent form” implies the same sort of tangibility as required by the section 101 definition of fixed, which is a “*tangible* medium of expression.”<sup>149</sup> Webster’s Dictionary defines “tangibility” as, “capable of being . . . touched.”<sup>150</sup> Therefore, it is erroneous to argue that the “concrete or permanent form”

---

<sup>145</sup> *Id.* at 626, 628-29 (arguing the dual definition of derivative works is problematic because courts may over-broadly apply those two definitions and find works beyond the scope of copyright law as being infringing derivative works).

<sup>146</sup> Compare, e.g., *Lee*, 125 F.3d at 582 (holding originality is required for a work to qualify as an infringing derivative work), with, e.g., *Mirage Editions*, 856 F.2d at 1343-44 (holding originality is not required for a work to qualify as an infringing derivative work).

<sup>147</sup> H.R. REP. NO. 94-1476, at 62 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5675 (emphasis added).

<sup>148</sup> Compare, *Mirage Editions*, 856 F.2d at 1343-44, with § 102 (a), and § 106 (2).

<sup>149</sup> 17 U.S.C. § 101 (emphasis added).

<sup>150</sup> WEBSTER’S COLLEGE DICTIONARY 1364 (1st ed. 1991).

rule developed by the Ninth Circuit in the *Galoob* decision is incorrect because it creates a dual definition of derivative works.

The real problem with the rule articulated in the *Galoob* decision is that it adds *too much* to the definition of what constitutes an “infringing” derivative work. Under the Ninth Circuit’s “concrete or permanent form” rule, add-on software does not contribute to the creation of infringing derivative works because the use of a combination of a protected work and an add-on software program does not “contain or produce [a protected work’s] output *in some concrete or permanent form.*”<sup>151</sup> Through its interpretation of the 1976 Act, the Ninth Circuit improperly interpreted the section 101 definition of “derivative works” as applied to section 106(2) to require fixation.<sup>152</sup> This interpretation transplanted the fixation requirement from the aforementioned formula for a “protectable” derivative work, where:

$$\begin{array}{r} \text{Preexisting Work (e.g., copyrighted movie on DVD)} \\ + \text{ Additional Material (e.g., add-on software)} \\ + \text{ [Originality + Fixation + Work of Authorship]} \\ \hline = \text{ Protectable Derivative Work (e.g., edited movie),} \end{array}$$

to the aforementioned formula for an “infringing” derivative work, where:

$$\begin{array}{r} \text{Preexisting Work (e.g., copyrighted movie on DVD)} \\ + \text{ Additional Material (e.g., add-on software)} \\ \hline = \text{ Infringing Derivative Work (e.g., edited movie).} \end{array}$$

Therefore, the definition of an “infringing” derivative work under *Galoob* can be expressed as the following formula:

$$\text{Preexisting Work}^{153}$$

---

<sup>151</sup> *Galoob*, 964 F.2d at 968 (emphasis added).

<sup>152</sup> 17 U.S.C. §§ 101, 106; *see Galoob*, 964 F.2d at 968; *see also* Black & Page, *supra* note 15, at 625 (stating the court in *Galoob* “re-examined the statutory definition of derivative works offered in title 17 section 101 and found an independent fixation requirement of sorts built into the statutory definition of derivative works.”).

<sup>153</sup> Black & Page, *supra* note 15, at 619 (stating this variable must have been infringed upon by the creator of the derivative work in order for it to constitute an “infringing” derivative work under section 106(2)).

|   |   |  |
|---|---|--|
| + | Additional Material                           |  |
| + | Fixation or “Some Concrete or Permanent Form” |  |
| = | Infringing Derivative Work.                   |  |

Under the Ninth Circuit’s definition of an “infringing” derivative work, the DVD filtration software at issue in *Huntsman* will not fall within the scope of section 106(2). The resulting edited movies are, like the “new” videogames produced by the *Game Genie*, purely evanescent screen images and sounds that do not incorporate the protected movies “in some concrete or permanent form.”<sup>154</sup> While this additional fixation requirement achieves the desired result of excluding add-on software from the scope of section 106(2), it adds more to the definition of “derivative works” under section 106(2) than Congress had originally intended.

The legislative history of section 106(2) explicitly states, “the preparation of a derivative work, such as a ballet, pantomime, or improvised performance, may be an infringement *even though nothing is ever fixed in tangible form.*”<sup>155</sup> Under the *Galoob* rule, any performance, such as a ballet, would not constitute an infringing derivative work because a performance is not contained in “some concrete or permanent form.” In theory however, performances can qualify as violations of section 106(2).<sup>156</sup> Fixation should only be required when a person seeks federal copyright *protection* for the creation of a derivative work. The section 101 definition of “fixed” states that “[a] work is ‘fixed’ in a tangible medium of expression when its embodiment in a copy or phonorecord . . . [that] is *sufficiently permanent or stable* to permit it to be perceived,

---

<sup>154</sup> See *Galoob*, 964 F.2d at 969.

<sup>155</sup> H.R. REP. NO. 94-1476, *supra* note 36, at 62 (emphasis added).

<sup>156</sup> See 2 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT, § 8.09, at 8-137 (1992) (“[I]f the latter work does not incorporate sufficient of the pre-existing work as to constitute an infringement of either the reproduction right, or of the performance right, then it likewise will not infringe the right to make a derivative work because no derivative work will have resulted.”), quoted in, *Williams v. Broadus*, 2001 WL 984714, at \*2 (S.D.N.Y. Aug. 27, 2001) (alteration in original) (concerning the issue of whether defendant’s use of a musical sample of plaintiff’s song in his own song constituted an infringing derivative work).

reproduced, or otherwise communicated for a period of more than transitory duration.”<sup>157</sup> Since the definition of “fixed” already states that a fixation must be “permanent,” and the definition of “concreteness” means “to render solid,”<sup>158</sup> which is similar to the phrase “sufficiently stable,” the term “fixed” is synonymous with the requirement of “concrete[ness] or perman[ence].”

Therefore, the rule of *Galoob* should not be required to show the existence of an *infringing* derivative work under section 106(2) because it adds too much to the section 101 definition of derivative works. This additional requirement is inconsistent with the original intent behind the Copyright Act of 1976.<sup>159</sup>

## V. A TEXTUAL APPROACH TO DERIVATIVE WORKS

Without the Ninth Circuit’s “concrete or permanent form” rule, add-on software providers are open to liability under section 106(2). In order to demonstrate the potential liability facing add-on software providers, without the precedents set by the *Galoob* and *Midway* decisions, a brief section 106(2) infringement analysis will be conducted; which will then be followed by a statutory interpretation of section 106(2). Finally, this Note will propose a new

---

<sup>157</sup> 17 U.S.C. § 101 (emphasis added).

<sup>158</sup> WEBSTER’S COLLEGE DICTIONARY, *supra* note 150, at 282.

<sup>159</sup> The rationale behind this argument tends to touch on another conflict between the Ninth Circuit and the Seventh Circuit regarding derivative works. That disagreement concerns the issue of whether originality is required for determining whether a work is an “infringing” derivative work. *Compare Lee*, 125 F.3d at 582, with *Mirage Editions*, 856 F.2d at 1343-44. For the purposes of this Note, this argument does not need to be fully addressed. However, the argument can be made that the Seventh Circuit’s decision in *Lee* presents a similar problem this Note argues exists in *Galoob* because it has added an additional requirement from title 17 section 102(a) to the definition of “infringing” derivative works under section 106(2). Therefore, the definition of an “infringing” derivative work under *Lee* can be expressed as the following formula:

$$\begin{array}{r} \text{Preexisting Work} \\ + \text{ Additional Material} \\ + \text{ Originality} \\ \hline = \text{ Infringing Derivative Work.} \end{array}$$

Since the legislative history of the 1976 Act does not state that “infringing” derivative works require some originality, this Note would argue in favor of the Ninth Circuit’s rejection of the Seventh Circuit’s rule that “infringing” derivative works acquire some originality. *See* H.R. REP. NO. 94-1476, *supra* note 36.

rule that courts should take into consideration for protecting add-on software providers and users from potential contributory infringement and infringement liability.

***A. Infringement Liability for Add-on Software Absent the Precedent of Galoob***

As stated above, this Note agrees with the policy arguments of the Ninth Circuit’s *Galoob* decision that favored the exclusion of add-on software from the scope of “derivative works” under section 106(2). Therefore, in conducting an infringement analysis regarding the add-on software providers’ liability in the *Huntsman* case, it is appropriate to apply the Ninth Circuit’s precedent on copyright infringement under section 106(2). However, as previously mentioned, this infringement analysis will not take the precedent of the *Galoob* decision into consideration.

Section 501 provides, “[a]nyone who violates any of the exclusive rights of the copyright owner as provided by §§ 106 through 121 . . . is an infringer of the copyright.”<sup>160</sup> Under section 106(2), the copyright owner has the exclusive right “to prepare derivative works based upon the copyrighted work.”<sup>161</sup> Therefore, the first issue is whether the audiovisual works created by the combination of the filmmakers’ DVD movies and the add-on software (meaning the edited movies) are “derivative works” of the filmmakers’ movies which are protected within the meaning of section 106(2).<sup>162</sup> It is upon this very issue that both this Note and the *Galoob* decision argue that the add-on software providers should not be held liable for contributory copyright infringement because the combined use of a preexisting work and add-on software *does not* constitute a “derivative work” within the meaning of section 106(2). However, this

---

<sup>160</sup> 17 U.S.C. § 501.

<sup>161</sup> 17 U.S.C. § 106(2).

<sup>162</sup> See *Micro Star*, 154 F.3d at 1112.

particular infringement analysis does not apply the *Galoob* decision. Therefore, the infringement analysis can proceed.

In order for a work to qualify as a “derivative work” under section 106(2), the material upon which the allegedly infringing work “has derived from a preexisting work [must have] been taken without the consent of [the] copyright proprietor of such preexisting work.”<sup>163</sup> This rule is consistent with the legislative history of section 106(2), which states that for a work “to constitute a violation of section 106(2), the infringing work *must incorporate a portion of the copyrighted work* in some form.”<sup>164</sup> In applying this rule, a court would most likely find that since the filmmakers did not license the use of their protected works for the creation of the edited movies, the portions of the original movies used in combination with the editing software were used without the filmmakers’ permission.

Since it is likely that the edited movies would qualify as “derivative works” under section 106(2), the second issue is whether those derivative works infringe upon the filmmakers’ exclusive right under section 106(2) to prepare derivative works.<sup>165</sup> To prove infringement, the filmmakers must show the original movies and the edited movies “are substantially similar in both *ideas* and *expression*.”<sup>166</sup> Similarity of ideas is shown, as a matter of law, by comparing the objective similarities of the works, such as “plot, theme, dialogue, mood, setting, pace and

---

<sup>163</sup> *Id.* (quoting *Mirage Editions*, 856 F.2d at 1343).

<sup>164</sup> H.R. REP. NO. 94-1476, at 62 (emphasis added); *Litchfield v. Spielberg*, 736 F.2d 1352, 1357 (9th Cir. 1984) (“[T]o constitute a violation of section 106(2) the infringing work must incorporate in some form a portion of the copyrighted work.”).

<sup>165</sup> See 2 NIMMER, *supra* note 156, § 8.01[A], at 8-15-16.

<sup>166</sup> *Litchfield*, 736 F.2d at 1356. The Ninth Circuit’s test for “substantial similarity” differs from the more commonly accepted abstractions test for “substantial similarity” developed by Judge Learned Hand. *Compare, Litchfield*, 736 F.2d at 1356, with, *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (N.Y. 1930). Instead of determining whether two works are “substantially similar” based on their *ideas* and *expressions*, the abstractions test requires a finding of substantial similarity based on *the expression of an idea*. See 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT, § 13.03[A][1][a], at 13-31 (2003) (emphasis added).

sequence.”<sup>167</sup> Because the edited movies have the same “plot, theme, dialogue, mood, setting, pace and sequence” as the original movies, except for the extraction of certain scenes made by the add-on software, the works’ ideas are, as a matter of law, similar. Similarity of *expression* is shown, as a matter of fact, if “the ‘ordinary reasonable person’ would find the ‘total concept and feel’ of the works” to be substantially similar.<sup>168</sup> The “ordinary reasonable person” in this case is the consumer of DVD movies.<sup>169</sup> Again, the edited movies contain almost exactly the same plot, theme, dialogue, mood, setting, pace, and sequence as the original movies, except for the extraction of certain scenes made by the add-on software. Therefore, it is likely a consumer of DVD movies would find the “total concept and feel” of the edited versions to be substantially similar to the original movies, because the edited versions are the same as the original movies, except they lack the explicit material of the originals. Because a court would likely find the edited versions substantially similar in both the *ideas* and *expression* of the original movies, the consumers who create the edited movies by combining the add-on software with the filmmakers’ DVD movies would be held liable for copyright infringement under section 106(2).

The final issue is whether the add-on software providers are liable for contributory copyright infringement because they provided consumers with a means to create what are now the “infringing” edited versions of the filmmakers’ protected movies. A contributory copyright infringer is “[o]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.”<sup>170</sup> Because the add-on software providers

---

<sup>167</sup> *Litchfield*, 736 F.2d at 1356.

<sup>168</sup> *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 319 (9th Cir. 1987); *Litchfield*, 736 F.2d at 1356-57.

<sup>169</sup> See *Data East U.S.A., Inc. v. Epyx, Inc.*, 862 F.2d 204, 209-10 (9th Cir. 1988) (finding an allegedly infringing karate videogame was not substantially similar to the protected work because “a discerning 17.5 year-old boy could not regard the works as substantially similar.”).

<sup>170</sup> *Fonovisa*, 76 F.3d at 264 (quoting *Gershwin Publ’g Corp.*, 443 F.2d at 1162), cited with approval in, *A & M*

supplied consumers with the means to create the infringing edited movies—meaning the add-on software—they too are liable under section 106(2) as contributory copyright infringers.

As shown by the infringement analysis above, add-on software providers, like those in the *Huntsman* matter, are likely to be held liable for contributory copyright infringement unless they are protected by a rule eliminating add-on software altogether from the scope of “derivative works” under section 106(2). The “concrete or permanent form” rule announced in the *Galoob* decision is such a rule that eliminates add-on software from the scope of section 106(2). But as this Note has already argued, the precedent of *Galoob* that protects add-on software from the scope of section 106(2) is improper because it is inconsistent with the legislative history of the Copyright Act of 1976. Therefore, this Note proposes a new rule for excluding add-on software from the scope of section 106(2).

### ***B. Thesis Argument***

Add-on software should fall outside the scope of section 106(2). While the “concrete or permanent form” rule announced in the *Galoob* decision achieves the goal of excluding add-on software providers from contributory copyright liability, it is inconsistent with the legislative history of the Copyright Act of 1976. Therefore, a new rule for excluding add-on software from the scope of section 106(2) will be proposed.

This Note proposes that the proper rule for excluding add-on software from the scope of section 106(2) should be that the use of add-on software in conjunction with a preexisting work does not constitute an infringing derivative work under section 106(2) because the resulting work does not actually *change* the preexisting work.<sup>171</sup> Unlike the Ninth Circuit’s “concrete or

---

*Records, Inc.*, 239 F.3d at 1022-23; 3 NIMMER, *supra* note 49.

<sup>171</sup> This rule would leave the controversy between the Seventh Circuit’s *Lee* decision and the Ninth Circuit’s *Mirage Editions* decision unaffected. *Compare, Lee*, 125 F.3d at 582 (holding originality is required for a work to qualify as

permanent form” rule, this rule is consistent with the statutory language of the section 101 definition of derivative works, which requires that derivative works “recast, transform, or adapt” a preexisting work.<sup>172</sup> For a derivative work to “recast, transform, or adapt” a preexisting work, the preexisting work must actually have been *changed* in some form. For example, a movie edited by add-on software would not qualify as an infringing derivative work because the combination of the add-on software with a DVD movie does not actually *change* the underlying movie.<sup>173</sup> The add-on software only “masks” the performance of the DVD movie while its audience perceives the movie. During this “masking,” the DVD movie’s original version is playing in its original form in the background of the add-on software’s masking program.<sup>174</sup> The underlying movie remains completely unaffected because the masking software can be immediately removed without affecting the original movie.<sup>175</sup> To support the validity of this proposal, a statutory interpretation of section 106(2) will be presented.

The starting point in every interpretation of a statute’s construction is the reading of the

---

an infringing derivative work), *with, Mirage Editions*, 856 F.2d at 1343-44 (holding originality is not required for a work to qualify as an infringing derivative work). Using *Mirage Editions* as an example, the gluing of a copyrighted artwork onto a tile would still constitute an “infringing” derivative work under section 106(2) because the preexisting artwork has been *changed* as a result of gluing it to the tile. If the artwork were to be removed from the tile, it is likely that the artwork will either tear or retain some of the glue on its body. Therefore, the resulting work has actually changed the underlying artwork because the underlying work is transformed through the risk of damage that would result should the artwork be separated from the add-on tile. In contrast, the DVD filtration software’s combination with a DVD does not *change* the underlying movie embodied in the DVD in any way upon a separation of the software from the DVD. See Jardin, *supra* note 17, at <http://www.wired.com/news/print/0,1294,54759,00.html>.

<sup>172</sup> 17 U.S.C. § 101.

<sup>173</sup> See Jardin, *supra* note 17, at <http://www.wired.com/news/print/0,1294,54759,00.html> (stating the add-on software “does not alter movie content, but instead runs on a consumer’s PC while the DVD plays, masking offensive material -- similar to an automated TV remote control”).

<sup>174</sup> *Id.*

<sup>175</sup> *Id.*

language of the statute.<sup>176</sup> Section 106(2) states, “the owner of copyright under this title has the exclusive right to do and to authorize . . . [the preparation of] derivative works based upon the copyrighted work.”<sup>177</sup> To determine what the term “derivative works” means under section 106(2), one must look at the definition of “derivative works” under section 101. In full, section 101 defines “derivative works” as:

[A] work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications that, as a whole, represent an original work of authorship, is a “derivative work.”<sup>178</sup>

The first sentence of section 101 suggests that a work is a derivative work under section 106(2) if it changes a preexisting work into another form. The second sentence of the definition, however, does not appear on its face to have any relevance to the issue of derivative works under section 106(2). This particular sentence is focused on the requirement of an “original work of authorship.” Under the statutory canon of *expressio unius exclusion alterius*, meaning that words which have been omitted may be just as significant as the words that have been set forth,<sup>179</sup> the “originality” requirement does not apply to section 106(2) because Congress did not expressly state the requirement of “originality” in the language of section 106(2). The phrase “original work of authorship” only appears in sections 102(a) and 103(a).<sup>180</sup> Because sections 102(a) and 103(a) only concern the issue of providing derivative works with federal copyright

---

<sup>176</sup> *Muscarello v. United States*, 524 U.S. 125, 127 (1998); *Tenn. Valley Auth. v. Hill*, 437 U.S. 153, 184 (1978).

<sup>177</sup> 17 U.S.C. § 106(2).

<sup>178</sup> 17 U.S.C. § 101.

<sup>179</sup> *Chevron U.S.A., Inc. v. Echazabal*, 536 U.S. 73, 73 (2002).

<sup>180</sup> *See* 17 U.S.C. §§ 102(a), 103(a).

protection, the second sentence of the section 101 definition of “derivative works” does not have any bearing upon section 106(2) regarding the issue of infringing derivative works.<sup>181</sup> Thus, only the phrase “any . . . form in which a work may be recast, transformed, or adapted” found in the first sentence of the section 101 definition of “derivative works” must be interpreted—not any of the terms found in the second sentence.<sup>182</sup>

Since the enactment of the 1976 Act, the ordinary meaning of the terms “recast,” “transformed,” and “adapted” have not changed. Webster’s Dictionary defines the word “recast” as “to cast again anew; to form, fashion, or arrange again; to remodel or reconstruct.”<sup>183</sup> Webster’s further defines the word “transformed” as meaning “to change in form, appearance, or structure; metamorphose,” and the word “adapted” as meaning “to make suitable to requirements or conditions; adjust or modify fittingly.”<sup>184</sup> All three definitions suggest the preexisting portion of a derivative work must be physically *changed* for a “derivative work” to exist under section

---

<sup>181</sup> This argument finds further support in the Ninth Circuit’s rejection of the originality requirement for derivative works under section 106(2). *Mirage Editions*, 856 F.2d at 1343-44. Additionally, while the legislative history of section 106(2) makes an explicit reference to the language of the first sentence in the section 101 definition of “derivative works,” it does not make any reference to the second sentence. H.R. REP. NO. 94-1476, at 61 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5675. The only time the legislative history makes reference to an “originality” requirement for derivative works is in the context of the section 103. *See id.* at 57-58.

<sup>182</sup> As a side note, the argument can be made that this interpretation of the section 101 definition of “derivative works” is incorrect. If such an argument were to prevail, then the second sentence of the section 101 definition of “derivative works” would have an impact upon section 106(2). But even if that argument was correct, the language of the second sentence of the section 101 definition of “derivative works” still supports this Note’s ultimate conclusion that “derivative works” under section 106(2) must actually *change* a preexisting work. The language of the second sentence provides that derivative works consist of “editorial revisions, annotations, elaborations, or other modifications.” 17 U.S.C. § 101. The phrase “editorial revisions, annotations, elaborations, or other modifications” hinges on the term “modifications.” To “modify” something means “to change somewhat the form or qualities of; alter partially; amend.” WEBSTER’S COLLEGE DICTIONARY, *supra* note 150, at 871. In looking at those definitions, the language “editorial revisions, annotations, elaborations, or other modifications” suggests the preexisting portion of a derivative work must have been *changed* for it to fall within the scope of section 106(2). In fact, the word “change” is used in the definition of “modify.” Therefore, the language of the second sentence of the section 101 definition of “derivative works,” while not taken into consideration by this Note’s statutory interpretation of section 106(2), is clearly in support of the argument that “derivative works” under section 106(2) must actually *change* a preexisting work.

<sup>183</sup> WEBSTER’S, *supra* note 150, at 1124.

<sup>184</sup> *Id.* at 15, 1416.

106(2). While add-on software temporarily impairs an underlying work's function, it does not in any way *change* the underlying work.<sup>185</sup>

Returning to the statutory interpretation of the first sentence of “derivative works” under section 101, the legislative history of the 1976 Act provides further support for the argument that “derivative works” under section 106(2) must actually *change* a preexisting work. House Report 1476 for the Copyright Act of 1976 states, “to constitute a violation of section 106(2), the infringing work must *incorporate* a portion of the copyrighted work in some form; for example, a detailed commentary on a work or a programmatic musical composition inspired by a novel *would not normally constitute infringements under this clause.*”<sup>186</sup> In short, the examples provided by the committee are not infringing derivative works because they are works that do not “incorporate” or, as this Note would argue, *change* the underlying work in any way.

Webster’s Dictionary defines the word “incorporate” as meaning “to combine into one body or uniform substance; to embody.”<sup>187</sup> While the definition of “incorporate” essentially means “to include,” the inclusion of one thing into another means to *change* the latter in some way, no matter how small, by intermixing it with the former.<sup>188</sup> Therefore, like the terms “recast,” “transform,” and “adapt,” the word “incorporate” suggests that the preexisting portion of a derivative work must itself be *changed* for a derivative work to fall within the scope of section 106(2). While an edited movie includes the original, underlying version, the add-on software used to create that edited movie does not actually combine with or intermix with the underlying version on the DVD to create a singular work. Instead, the edited movie is analogous

---

<sup>185</sup> Jardin, *supra* note 17, at <http://www.wired.com/news/print/0,1294,54759,00.html>.

<sup>186</sup> H.R. REP. NO. 94-1476, *supra* note 36, at 62 (emphasis added).

<sup>187</sup> WEBSTER’S COLLEGE DICTIONARY, *supra* note 150, at 681.

<sup>188</sup> *See id.* at 680 (defining the term “include” as “to contain or encompass as part of a whole”).

to a commentary, which the House committee expressly stated “would not normally constitute infringements under” section 106(2).<sup>189</sup> Like a commentary, the add-on software “masks” the performance of the underlying DVD movie with its own editorial “comments” to be perceived by its audience. During this “commentary,” the original, unedited version of the underlying movie is left alone and played in the background of the add-on software’s “mask.”

Finally, several statutory canons of construction support the argument that section 106(2) requires the preexisting portion of a derivative work to have been *changed* to constitute a derivative work under section 106(2). When two or more words are grouped together and ordinarily have a similar meaning, but are not equally comprehensive, the canon of *noscitur a sociis*, which means to be “by their companions,” states the general word will be limited and qualified by the special word.<sup>190</sup> Based on their similar definitions, the terms “recast,” “transformed,” and “adapted” are qualified by the word “changed.” The definition of “recast” means “to remodel or reconstruct.”<sup>191</sup> To “remodel” or “reconstruct” means to change. The definition of “transformed” expressly means “to change” because its definition is “to *change* in form, appearance, or structure” (emphasis added).<sup>192</sup> Finally, the definition of “adapted” means to “adjust or modify fittingly.”<sup>193</sup> To “adjust” or “modify” means to change. The definition of derivative works under section 101 therefore requires the preexisting work to be “changed.”

However, as shown above, a preexisting work is not *changed* when it is used in conjunction with

---

<sup>189</sup> H.R. REP. NO. 94-1476, *supra* note 36, at 62.

<sup>190</sup> Washington State Dept. of Soc. & Health Serv. v. Guardianship, 537 U.S. 371, 384 (2003).

<sup>191</sup> WEBSTER’S COLLEGE DICTIONARY, *supra* note 150, at 1124.

<sup>192</sup> *Id.* at 1416.

<sup>193</sup> *Id.* at 15.

add-on software to create the resulting work.<sup>194</sup>

Under the canon of *eiusdem generis*, which means “of the same kind or class,”<sup>195</sup> general words that follow an enumeration are to be held as applying only to persons and things of the same general kind or class specifically mentioned.<sup>196</sup> Section 101 sets out a list of examples of derivative works, which include any “translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, [and] condensation,” because these are forms “in which a work may be recast, transformed, or adapted.”<sup>197</sup> All of these examples consist of derivative works in which the preexisting work has been altered or changed in some way that, because of the incorporation of the preexisting work with some additional material, the preexisting work cannot be separated from the additional material without damage or change to the preexisting work. This suggests the terms “recast,” “transformed,” and “adapted” all mean “to change.”

The *Huntsman* case provides an example for the application of the proposed rule that a new work must actually *change* a preexisting work to qualify as a derivative work under section 106(2). Section 101 lists a “motion picture version” as a derivative work. The filmmakers in *Huntsman* have brought action against several edited movie retailers in addition to the add-on software providers.<sup>198</sup> In this situation, the edited movies sold by those retailers have actually *changed* the filmmakers’ underlying movies. The retailers changed the underlying movies by combining their editorial changes with the underlying movies onto a videotape the retailers

---

<sup>194</sup> Jardin, *supra* note 17, at <http://www.wired.com/news/print/0,1294,54759,00.html>.

<sup>195</sup> BLACK’S LAW DICTIONARY, *supra* note 2, at 535.

<sup>196</sup> *Guardianship*, 537 U.S. at 384.

<sup>197</sup> 17 U.S.C. § 101.

<sup>198</sup> Defendants’ Answer and Counterclaims at 13, *Huntsman* (No. 02-1662).

would then sell to consumers.<sup>199</sup> In this regard, the edited movies created by the edited video retailers are “derivative works” within the meaning of section 106(2) because the original versions of the filmmakers’ movies no longer exist on the retailers’ videotapes and cannot therefore be separated from the retailers’ editorial changes. In contrast, the edited versions created through the use of add-on software in conjunction with the underlying movies leave the underlying movie unchanged when the edited movie is being created and played. Therefore, the add-on software’s edited movies are not derivative works under section 106(2) because those edited movies are not embodied in a physical form, such as a videotape. Instead, the original version of the movie is left alone and continues to exist on the DVD.

For the foregoing reasons, the statutory language of section 106(2) should be read as requiring a new work to actually *change* a preexisting work in order to qualify as a “derivative work” under section 106(2). A work that has been created when add-on software is used in conjunction with a preexisting work does not actually change that preexisting work. When they are no longer used in conjunction with add-on software, preexisting works are left in their original form, unchanged and unaffected.

## VI. CONCLUSION

The issue of whether add-on software falls within the scope of section 106(2) is currently pending in the *Huntsman* matter. It is the opinion of this Note that it was a mistake for the filmmakers to have brought action against the add-on software providers in *Huntsman* for contributory copyright infringement. The future effects of the DVD editing software at issue in the *Huntsman* case could have a similar effect upon the film industry as VTRs did in the aftermath of the *Sony* decision where home video rentals and sales proved to be a vital

---

<sup>199</sup> *See id.*

component in a filmmaker's business plan. In bringing legal action against the add-on software providers, the filmmakers are hindering the growth of a technology which could prove to be of future benefit to the entire film industry.

Besides the possible effects of the *Huntsman* case on the film industry, there are other reasons indicating why add-on software should be omitted from the scope of section 106(2). First, add-on software can make copyright owners aware of new and previously unforeseen markets. Second, add-on software can help copyright owners avoid the financial risks involved with developing and marketing variations upon their original works by shifting those financial risks onto add-on software providers willing to test the waters of new and previously unforeseen markets for the copyright owner's works. Third, add-on software can increase diversity in the "marketplace of ideas" by allowing add-on software providers to offer consumers access to those markets copyright owners have chosen not to enter because they do not provide the copyright owners with enough economic incentive to develop those markets. Fourth, add-on software provides consumers with a certain degree of autonomy over what they can choose to do with their own legally obtained copies of a protected work in the privacy of their own homes. Finally, as suggested above, add-on software promotes the development of new technologies that can provide various industries and markets with unforeseen benefits.

For the foregoing reasons, add-on software providers should not be held liable for contributory copyright infringement. The market for a copyrighted work is not substituted by the new work created through the combination of an add-on software program with the copyrighted work because the copyrighted work must be purchased or licensed by the consumer before the consumer can use the add-on software. The Ninth Circuit's decision in *Galoob* recognized this need to protect add-on software from the grips of copyright owners that have already received

their royalties for their protected works. However, the Ninth Circuit’s “concrete or permanent form” rule for protecting add-on software providers is inconsistent with the legislative history of the 1976 Act. The proper rule for omitting add-on software from the scope of section 106(2), thereby protecting add-on software providers from contributory copyright infringement liability, should be that a new work must actually *change* a preexisting work for it to qualify as a “derivative work” under section 106(2).