

════ *Entertainment Research Group, Inc. v. Genesis*
 ════ *Creative Group, Inc.*
 ════ 122 F.3d 1211 (9th Cir. 1997), cert. denied, 523 U.S. 1021 (1998)

REA, J.: . . . ERG designs and manufactures three-dimensional inflatable costumes that are used in publicity events, such as shopping mall openings. The costumes are approximately eight feet tall and are worn by a person who remains inside the costume. Various companies purchase and use these costumes to promote their products. The costumes are based upon these companies' cartoon characters.² . . .

[ERG and Genesis signed an agreement for Genesis to market and distribute ERG's costumes. Subsequently, Genesis entered into an agreement to market and distribute inflatable costumes designed by ERG's competitor, Aerostar. ERG sued Genesis and Aerostar for, *inter alia*, infringement of the copyrights in various ERG costumes. The district court granted summary judgment for defendants on ERG's copyright claim.]

. . . ERG contends that the district court should have applied the test created by a district court in the Central [sic] District of California. *Doran v. Sunset House Distributing Corp.*, 197 F. Supp. 940 (S.D. Cal. 1961), *aff'd*, *Sunset House Distributing Corp. v. Doran*, 304 F.2d 251 (9th Cir. 1962). In *Doran*, we affirmed the district court's decision that a three-dimensional, inflatable representation of Santa Claus was original and copyrightable. . . . [U]nder the *Doran* district court's test, if the form of the derivative work and the form of the underlying work—three-dimensional, two-dimensional, plastic, etc.—are sufficiently different, then the derivative work is original enough to be copyrightable.

. . . In the first place, the *Doran* test is inapplicable to the instant circumstances since *Doran* involved the copyrightability of a derivative work where the preexisting work was taken from the public domain and not copyrighted itself. Here, on the other hand, ERG's costumes were based on preexisting works that were copyrighted and owned by the ultimate purchasers. This difference is critical because in deciding whether to grant copyright protection to a derivative work, courts must be concerned about the impact such a derivative copyright will have on the copyright privileges and rights of the owner of the underlying work. See 17 U.S.C. §103(b). Indeed, the body of law regarding derivative copyrights is designed to strike a balance between the holder of a copyright in the underlying work and the creator of a work that is made by copying that underlying work. See, e.g., *Durham*, 630 F.2d at 910-11. Accordingly, because the *Doran* test completely fails to take into account the rights of the holder of the copyright for the underlying work, the *Doran* test should not be applied to determine the copyrightability of a derivative work that is based on a preexisting work that is itself copyrighted. . . .

. . . [W]e are satisfied that the test developed by the Second Circuit in *Durham* [*Industries, Inc. v. Tomy Corp.*, 630 F.2d 905 (2d Cir. 1980)] is the proper approach for us to apply in the instant circumstances to determine whether ERG's costumes are copyrightable as derivative works. The test contains two prongs:

First, to support a copyright the original aspects of a derivative work must be more than trivial. Second, the original aspects of a derivative work must reflect the degree to which it relies on preexisting material and must not in any way affect the scope of any copyright protection in that preexisting material.

Durham, 630 F.2d at 909. . . .

2. For example, Pillsbury purchased "Pillsbury Doughboy" costumes, Toys "R" Us purchased "Geoffrey the Giraffe" costumes, and Quaker Oats purchased "Cap'n Crunch" costumes.

... [The] second prong of the *Durham* test is necessary to ensure that copyright protection is not given to derivative works whose originality is merely trivial. ... [I]f copyright protection were given to derivative works that are virtually identical to the underlying works, then the owner of the underlying copyrighted work would effectively be prevented from permitting others to copy her work since the original derivative copyright holder would have a de facto monopoly due to her “considerable power to interfere with the creation of subsequent derivative works from the same underlying work.” *Gracen v. Bradford Exchange*, 698 F.2d 300, 305 (7th Cir. 1983); see also *Durham*, 630 F.2d at 911. ...

Viewing the three-dimensional costumes and the two-dimensional drawings upon which they are based, it is immediately apparent that the costumes are not exact replicas of the two-dimensional drawings. Indeed, as the district court observed with regard to the Toucan Sam costume, the proportions in the costumes are far different from those in the underlying drawings. However, as we discussed earlier, in evaluating the originality of ERG’s costumes, any differences that exist because of functional or mechanical considerations should not be considered. The district court came to the conclusion that these differences in proportion were solely—or at least primarily—driven by the functional considerations necessitated by the fact that a human body must fit inside the costumes. ...

... Although ERG is correct that there are some differences in the[] facial expressions, no reasonable trier of fact would see anything but the underlying copyrighted character when looking at ERG’s costumes. ...

In addition to concluding that ERG did not establish sufficient originality to warrant copyright protection for its derivative costumes, the district court also concluded that ERG failed to satisfy the second element of the *Durham* test. ...

... [T]he district court was correct to conclude that granting ERG a copyright in its costumes would have the practical effect of providing ERG with a de facto monopoly on all inflatable costumes depicting the copyrighted characters also in ERG’s costumes. Indeed, if ERG had copyrights for its costumes, any future licensee who was hired to manufacture costumes depicting these characters would likely face a strong copyright infringement suit from ERG. ...

NOTES AND QUESTIONS

1. What standard of originality applies to derivative works? Is it the same as the basic standard set forth in *Feist*, *supra*? Should it be the same? Re-read the second prong of the *ERG* test. Is the Ninth Circuit attempting to state an additional threshold requirement that derivative works must meet? If not, what does the second prong of the test mean? Is the plaintiff really losing here because the court views its product as unworthy of protection? If so, is the court violating *Bleistein*’s nondiscrimination principle?

2. Both the *L. Batlin* court and the *ERG* court are anxious to avoid giving the first creator of a derivative work “a de facto monopoly” on all subsequent derivative works. See also *Gracen v. Bradford Exch.*, 698 F.2d 300, 304 (7th Cir. 1983) (Posner, J.) (“[E]specially as applied to derivative works, the concept of originality in copyright law has as one would expect a legal rather than aesthetic function—to prevent overlapping claims.”) (citing *L. Batlin*). Is this concern well founded?

As discussed in *ERG*, the concern about de facto monopolies is based in part on a desire to protect the rights of the owner of copyright in the underlying work. Are there also reasons to be concerned about de facto monopolies on derivative works based on underlying public domain

works? Recall *Alfred Bell v. Catalda*, *supra* page 67, which extended copyright protection to mezzotint reproductions of public domain paintings. Is that decision consistent with *L. Batlin* and *ERG*? Should a different standard apply depending on whether the underlying work is copyrighted or is in the public domain?

3. Are you persuaded by the Second Circuit's reconciliation of its decision in *L. Batlin* with the decision in *Alva Studios v. Winninger*? Is it appropriate to use one standard of originality for "ordinary" derivations and another for painstaking reproductions of works of fine art? Does either part of this standard survive the Supreme Court's decision in *Feist*? As we will see in Section A.4.b, *infra*, the *Feist* Court held that mere effort, or "sweat," does not automatically satisfy the originality requirement. Is *Alva Studios* still good law? What about *Alfred Bell*? Did those decisions protect mere effort?

4. Is a photograph of the Uncle Sam mechanical bank, or of the original Cap'n Crunch, a derivative work? Two recent decisions have considered this question. Both courts concluded that the photographs in question were copyrightable, but differed on the proper approach to determining whether the photographs might also qualify as derivative works. See *Ets-Hokin v. Skyy Spirits, Inc.*, 225 F.3d 1068 (9th Cir. 2000) (photograph of vodka bottle prepared for advertisement); *SHL Imaging, Inc. v. Artisan House, Inc.*, 117 F. Supp. 2d 301 (S.D.N.Y. 2000) (photographs of ornamental picture frames prepared for catalog). The *SHL Imaging* court explained its decision as follows:

Recently, the Ninth Circuit addressed the question of whether a photograph is a derivative work of the object it depicts. See *Ets-Hokin v. Skyy Spirits, Inc.*, 225 F.3d 1068, 1077-1082 (9th Cir. 2000). Although the Ninth Circuit concluded that a photograph of a vodka bottle was not a derivative work of the bottle, it reached that holding only after determining that the bottle was not independently copyrightable. Thus, the Ninth Circuit reasoned that the bottle was not a preexisting work. *Ets-Hokin*, at 1077-1082. This Court respectfully believes that the *Ets-Hokin* court misconstrued the nature of derivative works. While the *Ets-Hokin* court correctly noted that a derivative work must be based on a "preexisting work," and that the term "work" refers to a "work of authorship" as set forth in 17 U.S.C. §102(a), it failed to appreciate that any derivative work must recast, transform or adopt [sic] the authorship contained in the preexisting work. A photograph of Jeff Koons' "Puppy" sculpture in Manhattan's Rockefeller Center, merely depicts that sculpture; it does not recast, transform, or adapt Koons' sculptural authorship. In short, the authorship of the photographic work is entirely different and separate from the authorship of the sculpture.

SHL Imaging, 117 F. Supp. 2d at 305-06. Do you agree with the court's analysis, or do you prefer the Ninth Circuit's approach? Should a photograph be considered a derivative work whenever the subject of the photograph is itself copyrightable? Are there reasons to treat photography differently than other methods of art reproduction?

5. Does adding harmony to a preexisting melody create a derivative work? See *Tempo Music, Inc. v. Morris*, 838 F. Supp. 162 (S.D.N.Y. 1994) (rejecting the argument that harmony simply expresses "common musical vocabulary" and holding that whether a particular harmony manifests sufficient originality to be copyrightable is a question of fact).

6. The definition of derivative works in §101 includes a reference to "translations." What does originality mean in the context of a translation? In *Merkos, L'Inyonei Chinuch, Inc. v. Otsar Sifrei Lubavitch, Inc.*, 312 F.3d 94 (2d Cir. 2002), the court held an English translation of a Hebrew prayer book copyrightable. The court stated, "The translation process requires exercise of careful literary and scholarly judgment. As the District Court commented, '[t]he translation of prayers . . . involves partly the precision of science but partly the sensitivity and spirit of art. Behind the words that are found in Hebrew and the words that are used in the

English are shades of meaning and subtlety that cannot be labeled functional.’” *Id.* at 97. Would the same rationale apply to translations of all types of works?

Note on Section 103(a)

In this chapter, we consider only the copyrightability of derivative works. As *ERG* indicates, the right to prepare or authorize preparation of derivative works is one of the exclusive rights of the copyright owner; therefore, unauthorized preparation of a derivative work may infringe the copyright. The two inquiries differ in focus. The copyrightability inquiry is primarily concerned with the extent to which the two works are different—i.e., with what the secondcomer has added. The infringement inquiry (which we consider in Chapter 5) is primarily concerned with the degree of similarity between the alleged derivative work and the underlying work—i.e., with what the secondcomer has taken. Infringement, however, also may bear on the question of copyrightability. Section 103(a) states: “[P]rotection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully.”

In light of §103(a), can a derivative work prepared without the copyright owner’s permission ever qualify for copyright protection? Courts have disagreed on the proper answer to this question. Compare *Pickett v. Prince*, 207 F.3d 402, 406 (7th Cir. 2000) (holding that “the right to make a derivative work does not authorize the maker to incorporate into it material that infringes someone else’s copyright”), with *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 34 n.6 (2d Cir. 1982) (holding that a second-comer can assert copyright in a derivative work made without the copyright owner’s permission if the original work does not “pervade” the derivative work). Which interpretation of §103(a) makes more sense? Are the efficiency concerns discussed in *ERG*, *supra*, relevant? Note also that use of underlying material can be lawful when authorized by the copyright owner, but it can also be lawful if authorized by other provisions of the Copyright Act, such as §107 concerning fair use. We consider fair use in Chapter 7, *infra*.

Note on Blocking Patents

The patent system follows a very different set of rules for allocating rights in initial inventions and subsequent patentable improvements. The secondcomer who invents a patentable improvement may apply for and receive a patent regardless of whether the first inventor authorized the improvement. The first inventor and the improver are said to hold “blocking patents.” The improver may not practice his invention without permission from the original inventor, but the first inventor may not practice the improvement without permission from the improver. Such patents are frequently the subjects of cross-licensing agreements between the two inventors. See *Standard Oil Co. v. United States*, 283 U.S. 163, 172 n.5 (1931); *Carpet Seaming Tape Licensing v. Best Seam, Inc.*, 616 F.2d 1133, 1142 (9th Cir. 1980), *cert. denied*, 464 U.S. 818 (1983); 5 Donald S. Chisum, *Chisum on Patents* §16.02[1][a] (2001).

The blocking patents rule has been justified in terms of efficiency. According to Professor Merges, the rule encourages the original patentee to bargain with improvers, and therefore avoids potentially significant holdout costs that might impede valuable innovation. Robert