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Propertizing Fair Use

Abraham Bell
University of San Diego

Gideon Parchomovsky
University of Pennsylvania Carey Law School

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Abraham Bell [α] *and Gideon Parchomovsky* [β]

ABSTRACT

In its current form, fair use doctrine provides a personal defense that applies narrowly to the specific use by the specific user. The landmark case of Google v. Oracle, currently pending before the Supreme Court, illustrates why this is problematic. Even if the Court were to rule that Google's use of Oracle's Java API's was fair, the ruling would not protect the numerous parties that developed Java applications for the Android operating system; it would only shelter Google and Google's particular use. This is not an isolated problem; the per use/per user rule cuts across fair uses of copyrighted works, and it always leaves follow-on users in the cold. Authors, musicians, documentary filmmakers and media outlets who win fair use cases cannot freely market their works that incorporate fair use content since their victories do not carry over to other users. Fair use under extant law is a very limited privilege.

This Article proposes a far-reaching reform not only of copyright law as applied to software, but of the fair use doctrine itself. Our proposal consists of three interlocking elements. First, we call for the introduction of a new in rem conception of fair use, under which a fair use ruling would serve as a property remedy that shelters all subsequent users of works that fairly incorporate preexisting materials.

[α] Professor, Bar Ilan University Faculty of Law and University of San Diego School of Law. Visiting Fellow, Harvard Law School Project on the Foundations of Private Law.

[β] Robert G. Fuller Jr. Professor of Law at the University of Pennsylvania School of Law and the Edward Silver Professor at the Hebrew University of Jerusalem Faculty of Law. The authors are grateful to David Abrams, Shyam Balganesh, Lital Helman, Neil Netanel, Lydia Loren, Jennifer Rothman, Guy Rub, Christopher Yoo, Eyal Zamir and participants at workshops and conferences at the University of Pennsylvania Carey School of Law and Stanford Law School for invaluable comments and criticisms. Isabel Redleaf and Ziqian Tao provided excellent research assistance.

Under this new conception, a finding of fair use would run with that new work like an easement to all other distributors, broadcasters, publishers, performers and others who use it. The introduction of this new type of in rem fair use would result in the division of fair use into two conceptions—one in rem and one in personam—that would co-exist alongside one another. Second, we would grant judges discretion to decide which fair use conception, if any, should be granted in any particular case. Judges would be able to employ the traditional in personam rule that the fair use avails only the specific defendant before it, or they could adopt an in rem fair use ruling, creating a property entitlement that runs with the work embodying the fairly incorporated content. Third, we propose two default rules to assist judges in making their decisions. Specifically, we propose that the *default setting of fair use would depend on the type of use being examined. Where the claimed fair use consists of incorporating the protected copyrighted material in a new copyrighted work—such as the Android operating system—the default fair use would be of the in rem variety. However, in all other cases of claimed fair use, the traditional, familiar in personam conception would be the default setting. This approach would create clarity about the status of follow-on fair uses, but permit judges to tailor their rulings case by case.*

Implementation of our proposal would yield several significant improvements to the current fair use doctrine. It would permit judges to take account of the potential for future uses of the fair use work, without handcuffing them to a single approach. Moreover, it would increase certainty with respect to the use of copyrighted work by lowering transaction and litigation costs for creators of new works. Finally, the version of fair use we advocate would enhance the use of copyrighted content.

Propertizing Fair Use

TABLE OF CONTENTS

Propertizing Fair Use

INTRODUCTION

Fair use is one of the most celebrated doctrines in the law.[1] It is widely seen as a key component of the law of copyright, balancing the exclusive rights of copyright owners with the public interest in the use and enjoyment of works after their creation.[2] It is not only the most significant and most capacious defense against copyright infringement;[3] it is also, according to the Supreme Court, an indispensable part of the Constitutional balance between freedom of speech and protected copyrighted expression.[4] Unsurprisingly, the fair use doctrine has attracted considerable academic attention and has been the subject of discussion and debate.[5] Yet, a critical

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[1] *See* Wendy Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors*, 82 COLUM. L. REV. 1600 (1982); Wendy J. Gordon & Daniel Bahls, *The Public's Right to Fair Use: Amending Section 107 to Avoid the "Fared Use" Fallacy*, 2007 UTAH L. REV. 619, 620 (2007); William Fisher, *Reconstructing the Fair Use Doctrine*, 101 HARV. L. REV. 1661 (1988); Barton Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions, 1978-2005*, 156 U. PENN. L. REV 549 (2008); Pamela Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537 (2009); Pamela Samuelson, *Possible Futures of Fair Use*, 90 WASH. L. REV. 815 (2015); Rebecca Tushnet, *Copy This Essay: How Fair Use Doctrine Harms Free Speech and How Copying Serves It*, 114 YALE L. J. 535 (2004); Michael W. Carroll, *Fixing Fair Use*, 85 N.C. L. REV. 1087 (2007); Matthew Sag, *Predicting Fair Use*, 73 OHIO ST. L. J. 47 (2011); Jeanne C. Fromer, *Market Effects Bearing on Fair Use*, 90 WASH. L. REV. 615 (2015); Abraham Bell; Gideon Parchomovsky, The Dual-Grant Theory of Fair Use, 83 U. CHI. L. REV. 1051, 1053 (2016) [hereinafter *The Dual-Grant Theory of Fair Use*] ("Fair use is a keystone of the law of copyright . . . ."); Pierre N. Leval, *Toward A Fair Use Standard*, 103 HARV. L. REV. 1105, 1110 (1990) ("[T]he function of fair use [i]s integral to copyright's objectives . . . .").

[2] Stephen McIntyre, *Private Rights and Public Wrongs: Fair Use As A Remedy for Private Censorship*, 48 GONZ. L. REV. 61, 64 (2013) ("The 'fair use' doctrine . . . balances copyright holders' rights against the public's interests in free speech and the dissemination of knowledge, information, and culture."); Niva Elkin-Koren & Orit Fischman-Afori, *Rulifying Fair Use*, 59 ARIZ. L. REV. 161, 199 (2017) ("Fair use was first crafted as a legal standard . . . intending to allow courts to reconcile the copyright of authors with the public interest.").

[3] *See* The Dual-Grant Theory of Fair Use, *supra* note 1 ("The fair use defense to copyright infringement is perhaps the most frequently raised and litigated defense in the law of intellectual property."); Carroll, *Fixing Fair Use*, *supra* note 1 at 1089 (2007) ("Fair use is the first and most general of these limitations."). Unlike other defenses that apply to infringements of specific rights, e.g., reproduction, public performance, public display, fair use offers protection against all violations of all rights.

[4] Golan v. Holder, 565 U.S. 302 (2012); Eldred *v* Ashcroft, 537 US 186, 219-20 (2003) (describing fair use as a "built-in First Amendment accommodation[I"); Harper & Row, Publishers, Inc v Nation Enterprises, 471 US 539, 555-60 (1985) (describing the "First Amendment protections . . . embodied in . . . the latitude for scholarship and comment traditionally afforded by fair use").

[5] *See supra* note 1.

aspect of the doctrine has not been analyzed to date. And it goes to the core of the fair use doctrine.

There is a sharp asymmetry between the design of the exclusive rights granted to authors under the copyright act and the design of the fair use defense intended to protect user interests. The asymmetry is found in copyright's protection of *works*, as opposed to fair use's protection of *uses*. Copyright protects a list of rights in a particular work allocated to the owner of the copyright, [6] whereas the fair use defense only pertains to a specific use by a particular user.[7] Put differently, fair use is an agent-specific defense that is analyzed on a use by use basis. The fair use defense does not and cannot offer prophylactic immunity for using the work; it does not carry over to similar uses by the same user or identical uses by other users. As a result, the doctrine of fair use is far narrower than is generally appreciated.

To see why this is a problem, consider the case of Oracle America, Inc. v. Google, Inc.,[8] currently pending before the Supreme Court. Oracle v. Google concerns Google's use of Java APIs in the programming language used in Android phones. Oracle claimed that Google violated its copyright in the specific Java commands.[9] In its defense, Google claimed that the commands were insufficiently original to warrant copyright protection,[10] and that even if the commands were sufficiently original, other doctrines blocked copyright protection.[11] Google's claim won at the trial court level.[12] However, the Federal Circuit Court of Appeals reversed, determining that Java APIs are copyrighted, and it remanded the case to the trial court for examination of Google's fair use defense.[13] Back in the trial court, Google claimed that its use of the Java commands in the programming language for Android phones was a fair use,[14] and again Google won at the trial level.[15]

[6] *Compare* 17 U.S.C. § 106 ("[T]he owner of copyright under this title has the exclusive rights to do and to authorize any of the following . . . ."), *with* 17 U.S.C. § 107 ("[T]he fair use of a copyrighted work . . . is not an infringement of copyright.").
[7] Julie E. Cohen, *The Place of the User in Copyright Law,* 74 FORDHAM L. REV. 347, 362 (2005) ("In most fair use cases, the identity of the user is known, the use has already been made, and the only question is whether or not it passes muster.").
[8] Oracle Am., Inc. v. Google LLC, 886 F.3d 1179, 1190 (Fed. Cir. 2018). For an important analysis of the Oracle v. Google litigation, *see* Peter S. Menell, *API Copyrightability Bleak House: Unraveling and Repairing the Oracle v. Google Jurisdictional Mess*, 31 BERKELEY TECH. L.J. 1515 (2016).
[9] Oracle Am., Inc. v. Google Inc., 872 F.Supp.2d 974 (N.D. Cal. 2012).
[10] *Id.*
[11] *Id.*
[12] *Id.*
[13] United Oracle Am., Inc. v. Google Inc., 750 F.3d 1339 (Fed. Cir. 2014).
[14] 2016 WL 3181206 (N.D. Cal. June 8, 2016).
[15] *Id.*

Propertizing Fair Use

Once more, the Federal Circuit Court of Appeals reversed the jury decision, and it ordered the trial court to proceed to the remedies phase.[16] As of this writing, the Supreme Court has granted certiorari, but it has not yet heard the case.[17]

Consider what would happen if Google's fair use defense were ultimately to prevail (as many commentators believe it should[18]). The fair use defense would establish that Google's use of the Java commands in its operating system for Android phones is permissible notwithstanding a prima facie violation of Oracle's exclusive copyright rights in the Java APIs.[19] However, given the way the fair use defense works today, no other company that programmed for the Android phone could be sure that *its* use of the Java commands would be considered a fair use. The fair use defense would only shelter Google's use. Indeed, even Google could not be sure that any future Google use of Oracle's Java APIs would be permitted. Google could only be confident that the particular uses considered in the case were fair uses; any other use of the Java commands in a different program, or use of different Java APIs in the same program would potentially be vulnerable to an infringement suit.

A similar problem arises in other contexts, from music to literature. 2 Live Crew famously won a Supreme Court victory in Campbell v. Acuff-Rose[20] on a claim of fair use, allowing it to continue to use portions of the melody of Roy Orbison's song "Oh Pretty Woman" in its parody "Pretty Woman." However, a different user who wishes to use 2 Live Crew's song in another context—for

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[16] Oracle Am., Inc. v. Google LLC, 886 F.3d 1179, 1190 (Fed. Cir. 2018).
[17] *Google LLC v. Oracle America Inc.*, SUPREME COURT OF THE UNITED STATES BLOG (Dec. 3, 2019), https://www.scotusblog.com/case-files/cases/google-llc-v-oracle-america-inc/.
[18] *See e.g.*, Menell, *supra* note 8, at 1517 (noting that the case "has significant ramifications for much of the software industry."); Don Clark & Cari Tuna, Oracle Suit Challenges Google–Silicon Valley Giants Tangle Over Patents, Copyrights Involving Open Programs Android and Java, WALL ST. J., Aug. 13, 2010, at B1 (reporting that the litigation "set off shock waves in the Silicon Valley software community"). Some of Google's biggest rivals are taking its side in a Supreme Court battle, Jan 14, 2020 available at: https://www.theverge.com/2020/1/14/21059180/oracle-google-supreme-court-copyright-lawsuit-amicus-brief-filings . See also: Why Google's fair use victory over Oracle matters, available at: https://www.theguardian.com/technology/2016/may/31/google-fair-use-victory-oracle-software-androids
[19] *See* HORACE G BALL, THE LAW OF COPYRIGHT AND LITERARY PROPERTY 260 (1944) ("Fair use is technically an infringement of copyright, but is allowed by law on the ground that the appropriation is reasonable and customary."); Ned Snow, *The Forgotten Right of Fair Use*, 62 CASE W. RES. L. REV. 135, 141 (2011) ("Fair use now represents an excuse to justify infringement, or in other words, an exception to the norm of speech suppression through copyright.").
[20] Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569 (1994).

example by incorporating it as background music in a film, or performing the song at a high school dance—is barred from doing so even if she were to secure permission from 2 Live Crew.[21] The Supreme Court's ruling that 2 Live Crew's use is fair does not mean that the subsequent use would be deemed fair too. Similarly, if a screenwriter wanted to produce a movie based on Alice Randall's book "The Wind Done Gone," and she properly purchased rights from Alice Randall, she, too, would not be readily able to embark upon this task. Although Alice Randall's use of Margaret Mitchell's "Gone With the Wind," was ruled to be fair,[22] every subsequent user of her work would be exposed to an infringement claim unless she secured a license from the owners of "Gone with the Wind," who, as one may recall, refused to license Alice Randall's use. Fair use findings are in personam; they only pertain to a specific user. Copyright protection, by contrast, is in rem; it avails against the rest of the world.[23] This creates a vast amount of uncertainty.

In this Article, we propose a dramatic reformation of the fair use doctrine consisting of three complementary steps. First, we introduce a new conception of fair use, under which fair use could constitute an in rem, property remedy. This new conception of fair use would supplement rather than supplant the existing fair use doctrine. Under the new in rem property conception, a fair use finding would assist not only the particular defendant who raised the fair use defense, but also all subsequent users of the work that had been found to fairly incorporate copyright content. Thus, the in rem version of fair use would take on the form of a property incident that benefits all future users, and it would therefore enhance the marketability of follow-on works employing the fair use.

Second, we would grant courts the power to decide which conception of fair use, if any, to adopt in each case. Upon a finding of fair use, the judge could adopt either the traditional in personam version or our new in rem version of fair use. Judges would not be

[21] The industry practice for obtaining licenses for musical performance is sufficiently well-developed and complex that the would-be user would likely be able to obtain the relevant licenses without direct communication with either Campbell (who owns the rights to 2 Live Crew's song) or Acuff Rose (who owns the rights to Orbison's). For purposes of our example, we ignore the industry practice.

[22] *See* Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257, 1277 (11th Cir. 2001) (concluding that "a viable fair use defense is available" for The Wind Done Gone's potential infringement of Suntrust's copyright in Gone With the Wind).

[23] *See* Abraham Bell & Gideon Parchomovsky, *Reconfiguring Property in Three Dimensions*, 75 U. CHI. L. REV. 1015, 1070 (2008) ("[P]roperty rights, as defined by the government, are rights in rem, which avail against the world . . . ."); Guy Pessach, *Toward A New Jurisprudence of Copyright Exemptions*, 55 IDEA 287, 291 (2015) ("Copyright owners' entitlements are *in rem* exclusive property rights . . . owners have the right to exclude the rest of the world from utilizing their copyrighted works for uses that fall within their bundle of exclusive uses.").

required to adopt the in rem version of fair use in every case. In appropriate circumstances, the judge could stick to the traditional approach to fair use, limiting it to the specific user and the specific use. The upshot of our proposal would be a legal menu with three options: denying fair use, finding an in personam fair use, or finding an in rem fair use.

Third, we propose a set of default rules for all fair use cases. Where judges choose not to specify whether their finding of fair use is of the in personam or in rem variety, we propose that default rules make that decision. However, the default setting of fair use would depend on the type of use being examined. Specifically, where the claimed fair use consists of incorporating the protected copyrighted material in a new copyrighted work—such as the Android operating system, or the "Pretty Woman" song—the default fair use would be of the in rem variety. In such cases, if the judge failed to specify otherwise, future users of the fair use follow-on work could utilize that work without having to relitigate the issue of infringement with the owner of the original copyrighted work. However, in all other cases of claimed fair use, the traditional, familiar in personam conception of fair use would be the default setting. This set of default rules would create clarity about the status of follow-on fair uses, but permit judges to tailor their rulings case by case.

We propose that the result of a successful invocation of an in rem fair use defense should create effects like those in the world of property. Under our suggested interpretation, where the judge chooses the in rem variety of fair use, a fair use ruling in favor of any particular user would continue to run with the work for the benefit of subsequent users with respect to the relevant content covered by the ruling. Specifically, any unlicensed incorporation of copyrighted material that was ruled a fair use would be seen as creating a permanent copyright defense that runs with the work, akin to a property easement. Were a court to rule that a particular user made fair use of a preexisting work, subsequent users of the follow-on work that was found to "fairly use" preexisting material would also be protected by the ruling. These subsequent users could utilize the preexisting material in the follow-on work with assurance that their use too would be deemed "fair." For example, if Google's use of Oracle's Java APIs is ultimately ruled a fair use, on the view we expound, and if the trial judge ultimately were to rule the fair use an in rem fair use, not only Google but every Android user who uses Google's APIs will be sheltered from liability, even though the Google APIs incorporate Oracle's.

Our proposal has three significant advantages relative to extant fair use doctrine. First, our proposal would increase certainty with respect to the use of copyrighted work. Currently, a fair use finding only helps the named defendants in the case. It does not pertain to other users, who wish to make the same use of the copyrighted work. Under current law, other users either have to take their chances in court or negotiate a license from the owner.[24] The adoption of our proposal would allow judges in fair use cases to put other potential users on solid ground by allowing them to engage in the same use that was ruled fair. At the same time, our approach would permit tailoring remedies to the needs of the fair use. Judges could take account of the potential for future uses of the fair use work, and deny future in rem employment of a fair use remedy, where appropriate. The default settings of fair use would create clarity about the meaning of fair use decisions in any particular case where the judge chose not to elaborate.

Second, our proposal would potentially lower transaction and litigation costs for creators of new works.[25] As we explained, current doctrine requires users of works that fairly incorporate materials from preexisting works to negotiate licenses from both the original owner and the fair user, or plead their own new fair use in court. Both options are costly. Our proposal potentially alleviates this burden, conserving judicial resources while lowering costs for the parties themselves.

Third, and finally, our proposal would increase the productive use of copyrighted content. The sheltering principle would enable multiple downstream users to create new works that incorporate past works that were found by courts to make fair uses of older works.

The remainder of the Article unfolds in three parts. In Part I, we explicate the shortcomings of extant fair use doctrine, focusing on the inherent limitations arising from fair use's understanding as a personal, use-specific defense to copyright infringement. In particular, we discuss the costs that current fair use jurisprudence imposes on follow-on creators. In Part II, we turn to the world of property, where one finds such doctrines as market overt and the law of easements that promote the marketability of rights and give use rights an in rem character. In Part III, we draw on our discussion of property law to call for the introduction of a brand new conception of fair use that would operate as a property incident in the sense that it would benefit all subsequent users of a work that obtained a fair use status. Finally, in Part IV, we provide an important context for our amended understanding of fair use by showing that other parts of the law of copyright that struggle with

[24] *See* James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882, 890 (2007) (stating that since the fair use doctrine is ambiguous and the cost of losing an infringement case is prohibitively high, "even a risk-neutral actor with a good fair use claim would choose to secure a license rather than take the small risk of incurring a severe penalty").

[25] For discussion, *see infra,* Part I.B.

similar problems have employed mechanisms that bear a great deal of resemblance to our proposal.

I. THE LIMITATIONS OF FAIR USE DOCTRINE TODAY

A. Extant Fair Use Law

Fair use is an equitable defense to copyright infringement, originally developed judicially, despite the statutory origins of copyright.[26] Importantly for our purposes, fair use is highly contextualized. Section 107 of the Copyright Act, in which the modern fair use doctrine is enshrined, provides courts with two anchors in making fair use determinations[27] The preamble of section 107 gives courts a non-exhaustive list of presumptively fair uses such as criticism, news reporting, comment, teaching, research and scholarship.[28] Courts may use this list to determine if the use at hand falls within one of the enumerated categories of "fair" uses. The latter part of Section 107 gives courts four factors to consider and balance in making their final decision on fair use. Section 107 instructs courts to consider: (1) the purpose of the allegedly infringing use (2) the nature of the copyrighted work allegedly being infringed; (3) the amount and substantiality of the copyrighted material taken by the allegedly infringing use; and (4) the effect of a fair use finding on the actual and potential value for the allegedly infringed upon copyrighted work.[29]

In construing the statutory criteria, courts, at different times, have weighted certain factors more heavily than others. At present, courts tend to focus on the transformativeness of the claimed fair use when compared to the original work, leading courts to pay particular attention to the purpose of the defendant's use and the use's effect on the value of the copyrighted work—statutory factors 1 and 4 respectively.[30] That said, fair use cases are notoriously difficult to rationalize; as Pamela Samuelson has shown, fair use rules are highly context-dependent, and it is difficult to summarize all fair use law in a single approach.[31]

Fair use is probably the most celebrated doctrine in the law of copyright and often the fulcrum on which authors' rights and users'

[26] Gideon Parchomovsky, *Fair Use, Efficiency and Corrective Justice*, 3 LEG. THEORY. 347, 350 (1997) ("The doctrine of fair use originated in the decisions of the English Law and Equity courts").
[27] Copyright Act of 1976, 17 U.S.C. § 107.
[28] *Id.*
[29] *Id.*
[30] Stephen B. Thau, *Copyright, Privacy, and Fair Use*, 24 HOFSTRA L. REV. 179, 189 (1995) ("the Court has emphasized that the fourth factor- the potential market value of the plaintiff's work- is to receive the most weight.").
[31] Pamela Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537 (2009).

interests are balanced against ethach other. Yet, by virtue of the fair use doctrine current design, it has only a limited ability to ensure broad use of works. As it stands, the fair use doctrine provides a very limited privilege, or shelter, to users.

Fair use findings are individualized in two central ways: per *user* and per *use*. Take the example of a blogger who excerpts a short quotation from a copyrighted political speech as part of a blog entry on politics. If a court were to find this use "fair," this finding would necessarily be confined to the specific blogger and her individual circumstances. If subsequently, a mainstream media outlet were to quote exactly the same words from the same copyrighted political speech in its own news report, the mainstream media outlet could not be certain that its own use would be considered a fair use. Indeed, even if the mainstream media outlet secured permission from the blogger to utilize the entire blog entry, and its only use of the quotation were in the context of reprinting the blog entry in its entirety, the media outlet would still need to negotiate its own license from the writer of the speech, or make its own, separate claim of fair use over the quote. The same is true for other online users. They, too, could not reproduce, adapt or circulate the content of the blog even the blogger's permission. The blogger's fair use finding would be of no avail to them. Their use would not be part of the blogger's fair use.

No less importantly, even the original blogger who won a court ruling in favor of her fair use of the quotation in her blog entry could not be sure that the use would still be fair if she then adapted her blog entry into something else. For example, if she were to turn the blog entry into a book chapter, or she were to add accompanying video of the speech to the original blog entry, or she were to add a few words to the quotation, she would again expose herself to a risk of copyright liability. While the use of the copyright content in a particular literary form was ruled fair, it does mean that its incorporation into a different literary form, or a different copyrighted non-literary form would qualify as fair, as well.

Accordingly, if in the famous Supreme Court case Harper & Row v. Nation Enterprises,[32] the Supreme Court had found the Nation's quotations from Gerald Ford's autobiography "Time to Heal" fair (which it did not, of course), other magazines and reporters could still not reproduce the content of the Nation's article even with permission from the magazine. The fair use ruling would not pertain to them.

This inherent limitation of fair use is especially problematic in this day and age in which information moves through

[32] Harper & Row, Publishers, Inc v Nation Enterprises, 471 US 539 (1985).

interconnected networks.[33] As many scholars have noted, the norm among internet users is to share content instantaneously.[34] It is unreasonable to expect users to understand the fine details of copyright law. There is little reason to suspect that users will have any idea that content that was uploaded lawfully based on a fair use finding may not be further downloaded and further distributed by them. Paradoxically, fair use findings can become a trap to the unwary. They "clear" rights for a single user who was sued and prevailed in court, allowing her to continue to use the content in the particular manner authorized by the court, but have no effect on other users.

This shortcoming of fair use can be seen in the most dramatic way in the case of Oracle v. Google,[35] currently pending before the Supreme Court, and widely recognized as a critically important fair use case.[36] The matter was brought to court after Oracle accused Google of copying 37 packages in one of its Application Programming Interfaces ("API").[37] APIs can be defined for simplicity's sake as code orders that enable interfaces between programs.[38] Oracle's predecessor, Sun Microsystems, had developed a programming language called Java that included a number of elements including the Java API. Google incorporated the structure and organization of the contested API into the Android operating system.[39] As part of the process, Google rewrote the Java API, but many of the commands in the Android API remained

[33] LARRY LESSIG, REMIX: MAKING ART AND COMMERCE THRIVE IN THE HYBRID ECONOMY (2008).
[34] *See e.g.*, Ben Depoorter, Alain Van Hiel, and Sven Vanneste, *Copyright Backlash*, 84 S. CAL. L. REV. 1251, 1252 (2011) ("Sharing unlicensed copyrighted materials is now a part of teenagers' everyday lives;"); Madhavi Sunder, *IP³*, 59 STAN. L. REV. 257, 263 (2006) (observing that we are living in the "'Participation Age' of remix culture, blogs, podcasts, wikis, and peer-to-peer file-sharing. This new generation views intellectual properties as the raw materials for its own creative acts, blurring the lines that have long separated producers from consumers."); John Tehranian, *Infringement Nation: Copyright Reform and the Law/Norm Gap*, 2007 UTAH L. REV. 537, 547 (pointing out that digital technology has enabled unparalleled manipulation and use of creative works by ordinary individuals.").
[35] *Oracle Am., Inc. v. Google Inc*, 750 F.3d 1339 (Fed. Cir. 2014).
[36] *See e.g.,* Pamela Samuelson & Clark D. Asay, *Saving Software's Fair Use Future*, 31 HARV. J. L. & TECH. 535, 536-7 (2018) ("How the Federal Circuit decides Oracle's appeal of a jury verdict in favor of Google's fair use defense will have significant implications for future software copyright fair use cases because Oracle, in effect, calls into question the viability of fair use defenses in all API reuse cases (and perhaps in software cases more generally.").
[37] *Oracle Am., Inc. v. Google Inc*, 750 F.3d 1339, 1339 (Fed. Cir. 2014).
[38] *See* United States v Microsoft Corp, 253 F.3d 34, 53 (D.C. Cir. 2001) ("Operating systems also function as platforms for software applications. They do this by 'exposing'… routines or protocols that perform certain widely used functions. These are known as Application Programming Interfaces, or APIs."
[39] *Oracle Am., Inc. v. Google Inc,* 750 F.3d 1339, 1350 (Fed. Cir. 2014).

identical to the Java API.[40]

It should be noted that the Java API was originally developed by Sun Microsystems, and that Sun, as opposed to Oracle, originally allowed, and even encouraged, Google to use the API and other elements of Java.[41] It was only after ownership of the copyright in the API was transferred to Oracle that a clash arose, and Oracle sued Google for copyright infringement.[42] The case proceeded in two rounds. The first round concentrated on the eligibility of APIs for copyright protection. The District Court for the Northern District of California ruled that APIs were uncopyrightable as "there is only one way to declare a given method functionality, [so that] everyone using that function must write that specific line of code in the same way."[43] Citing various copyright doctrines ranging from the judicial "merger" doctrine to the statutory exclusion of "methods of operation," the court determined that the challenged parts of the code were outside the scope of copyright protection.[44] The Federal Circuit reversed, ruling that APIs were entitled to copyright protection.[45] Google's petition for certiorari was denied.[46]

This gave rise to the second round of litigation, revolving around the issue of fair use. In 2016, a unanimous jury agreed that Google's use of the API qualified as a fair use.[47] To the dismay of many commentators,[48] the Federal Circuit reversed the decision again, holding that Google's use was not fair as a matter of law.[49] At the time of this writing, Google's petition for a writ of certiorari has been accepted and the case is pending before the Supreme Court.[50]

If the Supreme Court ultimately finds Google's use fair, it will relieve Google of liability. However, the ruling will not shelter all the other technology companies that use Google's Java APIs in their apps written for Android phones. The Android operating system is employed in such a large number of applications that any attempt to estimate that number would be a mere conjecture. A favorable decision for Google does not carry over to any of the other companies that use the code. Of course, it will serve as a precedent

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[40] *Id.*
[41] *Id* at 1349.
[42] *Id* at 1351.
[43] *Oracle America Inc. v. Google Inc.* 872 F.Supp.2d 974, 979 (N.D. Cal. 2012).
[44] *Id.* at 1002.
[45] *Oracle Am., Inc. v. Google Inc*, 750 F.3d 1339, 1381 (Fed. Cir. 2014).
[46] *Google, Inc. v Oracle America, Inc.* 135 S.Ct. 2887 (*cert den'd).*
[47] *Oracle America Inc., v Google LLC,* 886 F.3d 1179, 1185 (2018).
[48] *See, e.g.,* Ieva Giedrimaite, *No Allies for Oracle's Win against Google,* The IPKat, March 25, 2019, available at http://ipkitten.blogspot.com/2019/03/no-allies-for-oracles-win-against-google.html <last visited August 15, 2019>.
[49] *Oracle America Inc., v Google LLC,* 886 F.3d 1179, 1211 (2018).
[50] Mot. For Cert, *Google LLC v. Oracle America, Inc.* No. 18-8596.

and, as such, it might make it more difficult for Oracle to prevail against other companies that used Google's code, with permission and encouragement from Google, but many of them may simply not have the financial wherewithal to fight the case in court and may choose to settle with Oracle or, worse, cease to operate.

This scenario demonstrates the limitation of fair use as a personal privilege that applies to the particular defendant, as opposed to the work. Had fair use attached to the protected work, i.e., the copyrighted expression, be it code, lyrics, audiovisual content or other forms of art, it would shield all subsequent creators who use the content. The work at issue in Oracle v. Google was an open source operating system that was purposefully designed and distributed to be used by multiple individuals and companies.[51] Such works expose the limited ability of fair use to ensure broad use privileges. However, even in cases involving other copyrightable subject matter, the same problem arises.

To see this, consider the case of Campbell v. Acuff Rose, in which the Supreme Court ruled that 2 Live Crew's version of Roy Orbison's "Oh Pretty Woman" constituted a parody of the original and thus qualified as a fair use.[52] The Supreme Court's ruling allowed 2 Live Crew to continue to perform the song and distribute it. If, however, a subsequent creator wanted to use 2 Live Crew's song in a movie or a video game, she would not be able to do so even though she obtained permission from 2 Live Crew without also obtaining rights to the Roy Orbison song. Subsequent uses are not directly affected by fair use finding.

As another example, consider Alice Randall's "The Wind Done Gone," a literary adaptation of Margaret Mitchell's "Gone with the Wind" that presented the story from the vantage point of the African-American characters.[53] After a prolonged legal battle, the Eleventh Circuit ruled that Alice Randall's book was a parody of the "Gone with the Wind" and hence constituted fair use.[54] The decision enabled Alice Randall's publisher to continue with the distribution of the book. However, if she were to try to sell her movie right to a studio, the fair use ruling would not carry over. Similarly, if an independent theater wished to produce a play based on the book, it would be risking an infringement suit. The fair use ruling pertains to Alice's Randall's use alone. It does not protect Randall's book in any other context.

[51] *Oracle America Inc., v Google LLC,* 886 F.3d 1179, 1186-87 (2018).
[52] Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569 (1994).
[53] *Suntrust Bank v Houghton Mifflin Co.* 268 F.3d 1257, 1259 (2001).
[54] *Id.* at 1277.

B. The Costs of Fair Use in Its Current Form

Under the current regime, users who desire to use content that fairly incorporates preexisting copyright materials have two options: they can either obtain licenses from all the rightsholders involved, past and present, or use the content without permission, risk a lawsuit and put their faith in the fair use defense. The first option raises the twin specters of high transaction costs and strategic behavior. This is especially true when multiple parties hold copyrights in the content as in the case of documentary films.[55] The second option implies litigation costs and uncertainty about the legal outcome. The fair use defense has many virtues.[56] Alas, certainty is not one of them.[57] If the fair use defense fails in court, the defendant who raised it may not only lose her right to use the material, but may also be ordered to pay statutory damages to the plaintiff, far in excess of the value she derived from the use. The higher costs associated with the use of works that fairly incorporate preexisting copyrighted materials significantly impairs their marketability. We elaborate on this problem below.

1. Licenses

Users who wish to use (copy, display, perform, etc.) a copyrighted work can secure a license to do so from the relevant rightsholders. In fact, this is the point and purpose of establishing copyright protection in the first place.[58] Copyright law does not reward authors and creators with cash payments upon creation of a new work. Rather, the law grants them a bundle of exclusive

[55] *See generally* Peter Jaszi, Copyright, *Fair Use and Motion Pictures*, 2007 UTAH L. REV. 616.

[56] Peter A. Jaszi, Michael W. Carroll, Sean Flynn, Mike Palmedo, and Kimberlee Gai Weatherall, and Ariel Katz, *Evaluating the Benefits of Fair Use: A Response to the PWC Report on the Costs and Benefits of 'Fair Use'* (April 15, 2016). Available at SSRN: https://ssrn.com/abstract=2773646 or http://dx.doi.org/10.2139/ssrn.2773646

[57] *See e.g.* See Jason Mazzone, *Administering Fair Use*, 51 WM. & MARY L. REV. 395, 415 (2009) (noting that fair use fails to give sufficient guidance to users); Carroll, *Fixing Fair Use*, *supra* note 1 (discussing fair use's lack of clarity).

[58] *See, e.g.*, Yochai Benkler, *Siren Songs and Amish Children: Autonomy, Information, and Law*, 76 NYU L. REV. 23, 59–60 (2001) ("The Supreme Court has held consistently and unanimously that American law explicitly treats intellectual property rights in utilitarian terms."); William M. Landes and Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD..325, 326 (1989) (emphasizing that one of copyright law's central goals is to maintain incentives for individuals to produce creative works); Mark A. Lemley, *Ex Ante versus Ex Post Justifications for Intellectual Property*, 71 U. CHI. L. REV. 129 (2004) (same).

rights.[59] The expectation is that authors will earn their rewards from users who pay for licenses to perform one or more of the rights that would otherwise be exclusive to the author.[60] Users, in other words, pay to use the content and it is the payment that is the point of making the rights exclusive in the first place.

This dynamic applies no less to works that incorporate pre-existing materials Works incorporating pre-existing copyrighted materials are ubiquitous. Films are often adaptations of copyrighted written work. News broadcasts incorporate film clips created by various authors. Computer programs often include previously copyrighted graphics or code. A movie house that wants to perform the film for the public must obtain a license not only from the studio that owns rights to the film; it must also obtain rights from the owners of copyright in the previously copyrighted written work on which the film was based. This means that the more pre-existing copyrighted works are incorporated into a new work, the greater the number of licenses that must be obtained to use the new work.[61]

As is the case with any system that relies on market transactions, purchasing licenses inevitably involves transactions costs. Transaction costs typically include the cost of identifying the relevant rightholder, negotiating with her, formalizing a legal agreement and enforcing it. Typically, the higher the number of rightsholders whose consent needs to be obtained, the higher the transaction costs. In the simplest case of a new work utilizing an older work, users would have to secure a license from at least two rightholders: the copyright owner in the original work and the copyright owner in the follow-on work who fairly employed expressive content from the original work. For example, a fan wishing to start a "Grateful Dead" webpage and include in it photos of poster art from the book "Grateful Dead: The Illustrated Trip," would be thwarted from doing so even though the use of the photos in the original book was ruled fair.[62] The fact that a court ruled that Dorling Kinderseley's use of the photographic content was fair does

[59] Abraham Bell and Gideon Parchomovsky, *Reinventing Copyright and Patent Law*, 113 MICH. L. REV. 231, 241 (2014) (explaining that copyright law incentivizes the creation of original expressive works by conferring a bundle of exclusive rights on authors).
[60] Diane Leenheer Zimmerman, *Copyrights as Incentives: Did We Just Imagine That?* 12 J. THEORETICAL INQUIRIES IN LAW, 29, 31 (2001) ("An exclusive right to license or vend the work for a limited time period permits markets for public goods to form.").
[61] The law and economics literature points to a positive correlation between the number of rightholders and the level of transaction costs. See THOMAS J. MICELI, THE ECONOMIC APPROACH TO LAW 216–17 (2004); Lloyd Cohen, *Holdouts and Free Riders*, 20 J. LEGAL STUD. 351, 356 (1991).
[62] *See* Bill Graham Archives v. Dorling Kindersley Ltd., 448 F.3d 605, 615 (2d Cir. 2006) (concluding that the defendant's use of the plaintiff's "copyrighted images in its book *Illustrated Trip* is fair use").

not carry over to other users.

It is easy to see how the attempt to secure permission from all necessary rightsholders might run aground due to high transaction costs. For instance, a filmmaker who plans to negotiate with all the relevant rightsholders would need to expend substantial resources in the process. Just the task of identifying all the rightsholders may prove to requires resources in excess of the expected revenues from the movie. It is therefore not surprising that documentary filmmakers often do not even try to negotiate with all the relevant rightsholders and rely on fair use instead. But even in cases where the relevant rightsholders are readily identifiable, a user still needs to negotiate the terms of the use with them and formalize an agreement to this effect. In some case, enforcement costs are also likely to arise. The expenditures a user incurs in the process—namely, the transaction costs—go to waste; they do not benefit the copyright owner or the user. In some cases, the benefit a user derives from the use of a work would justify incurring the transaction costs, as well as paying the copyright owner her asking price.[63]

Our discussion so far ignored a different problem that is likely to arise in negotiations with multiple rightsholders: strategic holdouts. When a party must secure permissions from multiple rightsholders, each of whom holds a veto power over the enterprise as a whole,[64] there is no reason for any of the veto holders to sell easily. Each rightsholder knows that that the revenue for the entire project depends on her consent. Each rightsholder therefore should demand the maximum share of the revenue she can get without bringing the project to a halt, up to the full value of project. The price each rightsholder demands is therefore strategic—it depends not only on the value of the rights to the rightsholder; it depends, more importantly on an evaluation of the prices other rightsholders will demand and receive. None of the rightsholders has any reason to moderate her demands excessively. Unfortunately, this creates aa real chance that the negotiations will fail. The negotiations are often undertaken in situations of imperfect information and miscalculations. Each of the rightsholders is trying to outwit the other rightholders in order to end up with the highest achievable

[63] It is precisely for this reason that Wendy Gordon listed prohibitive transaction costs as the first prerequisite for recognizing fair use by her lights, *see* Gordon, *Fair Use as Market Failure*, *supra* note 1.

[64] See generally, RICHARD A. POSNER, ECONOMIC ANALYSIS OF LAW 62 (5th ed. 1998) (justifying eminent domain as a mechanism for overcoming holdouts); STEVEN SHAVELL, FOUNDATIONS OF ECONOMIC ANALYSIS OF LAW 124 (2004) (same); Daniel B. Kelly, *Acquiring Land Through Eminent Domain: Justifications, Limitations, and Alternatives*, in RESEARCH HANDBOOK ON THE ECONOMICS OF PROPERTY LAW 343, 345–50 (Kenneth Ayotte & Henry E. Smith eds., 2011) (same).

share. One rightsholder may end up demanding too much and the entire project can fail as a result.

2. Fair Use

Failed negotiations are not necessarily the end of the line for follow-on works. The author attempting to create a new work incorporating old works may decide that the licensing efforts are not worth it, or the author may try to obtain the relevant licenses and fail, but the author may still proceed on the basis of the fair use doctrine. Stated bluntly, the author may gamble that the use of the older works without a license will be found a "fair use" by courts, obviating the need to obtain a license. Indeed, the author may decide to initiate this gamble even if transaction costs are not prohibitive, in order to try to obtain the rights for free.

Alas, fair use is not a straightforward gamble. The problem with fair use is that it is a very vague doctrine. Indeed, it is so vague that Larry Lessig famously defined fair use as "the right to hire a lawyer."[65] Judge Pierre Leval openly posited that fair use is vague by design and admitted that even judges do not have a shared understanding of what fair use is.[66] Other scholars have argued that the vagueness of the fair use test is a welcome and necessary feature of the doctrine.[67]

The ambiguity of fair use imposes a real cost on users.[68] Users who rely on the fair use defense cannot know for certain how their defense will be treated by the court. As is true of other open-ended standards that rely on a balancing test, fair use inevitably leads to over-deterrence and underuse of works.[69] To see why it is necessary

[65] Stephen Manes, *Let's Have Less of Lessig,* Forbes (April 2, 2004) ("Fair use is the right to hire a lawyer.") available at https://www.forbes.com/2004/04/02/cz_sm_0402manes.html#15b3269b3663 <last visited August 15, 2009>

[66] See generally Leval, *supra* note 1 (stating that "[j]udges do not share a consensus on the meaning of fair use.").

[67] Dan L. Burk, *Muddy Rules for Cyberspace*, 21 CARDOZO L. REV. 121, 140 (1999) ("[F]air use appears to be employed in situations of high transaction costs, where a muddy entitlement may be appropriate.... The 'muddy' four-part balancing standard of fair use allows courts to reallocate what the market cannot.")

[68] Gideon Parchomovsky and Kevin A. Goldman, *Fair Use Harbors*, 93 VA. L. REV. 1483, 1486 (2007) ("The Supreme Court's decision to favor ex post fairness over ex ante certainty comes at a steep cost for potential users of copyrighted works.").

[69] See, e.g., John E. Calfee & Richard Craswell, *Some Effects of Uncertainty on Compliance with Legal Standards*, 70 VA. L. REV. 965, 995 (1984) (noting that when the "probability [of liability] declines as defendants take more care, then defendants may tend to overcomply"); Richard Craswell & John E. Calfee, *Deterrence and Uncertain Legal Standards*, 2 J.L. ECON. & ORG. 279, 280 (1986)

to understand the impact of vagueness on users. Since users cannot know in advance whether their use is fair, many of them will refrain from using copyrighted works. This is because the consequences of erring are very harsh. A user who believes she has a colorable fair use claim, but is proven mistaken in court, exposes herself to the risk of having to pay the plaintiff large amounts of money for a use that may not have been worth much to her. It should be born in mind that the copyright act entitles successful plaintiffs to the defendant's profits[70] from the infringement and to statutory damages of up to $150,000 per willful infringement.[71] Hence, users who have blind faith in fair use take a high stakes gamble.[72] The safer bet may be to obtain a relatively low-cost insurance policy in the form of an unnecessary license.

In an influential article, James Gibson pointed out that the vague nature of fair use leads to "right accretion" by copyright holders. Since many users are understandably reluctant to take a chance on the fair use doctrine, many of them prefer to obtain licenses from copyright holders even for potentially fair uses. This dynamic invariably leads to an expansion of the rights of copyright owners and a contraction of the domain of fair use. Over time, as this process repeats itself with respect to more and more uses that could be ruled fair, copyright owners gain more control over the use of their work.[73]

Of course, users also have the option of not using the work at all. Per our earlier discussion, they would resort to this option when transaction costs are high or when they expect strategic holdouts to arise and block the path to a successful transaction. Indeed, all courses of action that are open to users are costly. As we explained, these additional costs undermine the marketability of the works involved. These additional costs could have been saved if

(same); A. Mitchell Polinsky & Steven Shavell, *Punitive Damages: An Economic Analysis*, 111 HARV. L. REV. 869, 873 (1998) (observing that "if injurers are made to pay more than for the harm they cause, wasteful precautions may be taken . . . and risky but socially beneficial activities may be undesirably curtailed").

[70] 17 U.S.C. § 504(a)(1) (2000) (stating that a copyright infringer is liable for any of "the copyright owner's actual damages and any additional profits of the infringer").

[71] 17 U.S.C. § 504(c)(2).

[72] See, e.g., UMG Recordings v. MP3.com, No. 00-CIV-472(JSR), 2000 WL 1262568, at *6 (S.D.N.Y. Sept. 6, 2000) (finding MP3.com liable for approximately $118 million in statutory damages); see also J. Cam Barker, Note, Grossly Excessive Penalties in the Battle Against Illegal File-Sharing: The Troubling Effects of Aggregating Minimum Statutory Damages for Copyright Infringement, 83 Tex. L. Rev. 525, 545–49 (2004) (pointing out the punitive nature of statutory damages in copyright law).

[73] *See* James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882, 887–95 (2007).

subsequent users were sheltered by the original fair use finding received by the first user.

II. PROPERTY LAW AND THE PROBLEMS OF FAIR USE

Our proposal to reform fair use law draws its inspiration from the world of property. In order to explain our proposal, we restate in property terms our observations in Part I, supra, about the flaws of fair use. The two central flaws of extant fair use law can be described in property terms as follows. First, extant fair use doctrine recognizes personal use rights rather than rights in rem. Second, and relatedly, the fair use rights recognized by law are not marketable. Each of these flaws is analogous to problems that potentially appear in many property contexts, and each of these flaws has typical associated property solutions. In this Part, we explain how property law provides analogous solutions to each of these flaws.

A. Use Rights

Let us begin with the first of the two flaws. As we noted, fair use doctrine recognizes the right of a particular user to a particular use of a particular work.[74] 2 Live Crew's fair use right to parts of Roy Orbison's "Oh Pretty Woman" in its own "Pretty Woman" song is limited personally to 2 Live Crew; the band's victory in its own fair use case does not ensure that a different band parodying Orbison's song would win. Likewise, 2 Live Crew's victory is limited to a particular use of a particular work; we could no longer be certain that it was a fair use if 2 Live Crew used Orbison's song in a different work (say, "Prettier Man") or used more of Orbison's song in the same work.

It may seem obvious that any fair use that is limited to a particular use of a particular work must necessarily be personal and limited to a particular user. However, the law of property teaches otherwise.

While we tend to think of property as centered on objects or things,[75] property law often deals with use rights. The law of servitudes—easements, covenants, equitable servitudes, profits a

[74] *Infra* Part I.
[75] *See* JOHN G. SPRANKLING, UNDERSTANDING PROPERTY LAW 1-2 (2000) (noting that most people think of property as "things"); Henry E. Smith, *Property as the Law of Things*, 125 HARV. L. REV. 1691 (2012); Yun-chien Chang & Henry E. Smith, *An Economic Analysis of Civil versus Common Law Property*, 88 NOTRE DAME L. REV. 1 (2012); Eric R. Claeys, *Property 101: Is Property a Thing or a Bundle?*, 32 SEATTLE U. L. REV. 617 (2009); THOMAS W. MERRILL & HENRY E. SMITH, PROPERTY: PRINCIPLES AND POLICIES (3d ed. 2017). *See generally*, Abraham Bell & Gideon Parchomovsky, *A Theory of Property*, 90 CORNELL L. REV. 531 (2005).

prendre, and others—gives rightholders legal authority to use realty[76] even though another person owns the land. Consider a standard right-of-way easement between Blackacre owned by Alice and Greyacre owned by Beatrice. The most convenient route for Alice to drive to Blackacre is over a strip of Greyacre. Property law allows Alice to secure a right to drive over Greyacre without purchasing title to the necessary strip of land.[77] Instead, Alice can purchase an easement—a use right—that leaves title to the strip of land in the hands of Beatrice, but gives Alice a right to drive to and from her garage over that strip of land that is recognized and protected by the law of property. Easements, by their nature, attach to the land.[78] The burdened land (known as the servient tenement in property law) — Greyacre in our example — is subject to the easement even if there is a change in ownership.[79] Accordingly, if Beatrice transfers Greyacre to Claire, Alice will not need to repurchase the easement from Claire. Rather, the easement is embedded in Claire's title; she acquired title to the land subject to the easement.[80] Typically, easements are appurtenant,[81] meaning they attach to the land on the benefited side as well (in property terminology, the benefited land is known as the dominant tenement). Thus, if the benefited parcel — Blackacre in our example — is transferred by Alice to Danielle, Danielle would benefit from the easement as it is part of the title to Blackacre.[82]

[76] MERRILL & SMITH, *supra* note 75, at 982-989. Easements can also be negative. A negative easement entitles the holder to prevent a certain use of the parcel to which the easement applies. Traditionally, the common law recognized only four negative easements: (1) blocking windows, (2) interfering with air flow in a defined channel, (3) removing artificial support for buildings, and (4) interfering with the flow of water in an artificial channel. *See* JESSE DUKEMINIER, JAMES E. KRIER, GREGORY S. ALEXANDER & MICHAEL SCHILL, PROPERTY 736-738 (6th ed. 2006).

[77] 7 JOHN H. PEARSON, THOMPSON ON REAL PROPERTY § 60.02 (2019) ("an easement is one of several ways in which one may obtain rights in the land of another, for the benefit of one's own property or for one's own personal benefit.").

[78] Jeffrey E. Stake, *Toward an Economic Understanding of Touch and Concern*, 1988 DUKE L.J. 925; Susan F. French, *Toward a Modern Law of Servitudes: Reweaving the Ancient Strands*, 55 S. CAL. L. REV. 1261 (1982).

[79] PEARSON, *supra* note 77, at §60.07(a) ("the very nature of an easement, and a major point justifying its existence, is to guarantee that an arrangement for the non-possessory use of land survives the transfer of that land into the hands of another.").

[80] *Id.*

[81] Indeed, English law originally refused to recognize the validity of easements in gross. French, *supra* note 78.

[82] Property law also recognizes easements in gross. Unlike appurtenant easements, easements in gross do not attach to the land and do not run with the title to it. Rather, they are personal in nature and benefit particular individuals. In our previous example, Beatrice could have made the easement personal to Alice,

Easements are flexible tools. For instance, they can be constructed with time limits; Alice and Beatrice might agree, for example, to give the easement a five-year life. At the same time, many features of easements are dictated by property law, and cannot be modified by the parties. For instance, an easement is the necessary result of the transfer of a non-possessory right in real property properly attested to by deed, even if the parties did not know they were creating an easement. Thus, in the case of Baseball Publishing Co. v. Bruton,[83] the court determined that an agreement giving Baseball Publishing a five-year right to place an advertising billboard on the side of Bruton's building was an easement even though the agreement described the right as a "lease" and Bruton claimed the right was merely a "license." According to the court, a property right becomes an easement according to its features (in this case, a written agreement to create non-possessory, exclusive use right in real property), without regard to the terminology preferred by the parties.

Property law even accommodates the possible right to prevent a certain use of land. A negative easement, for instance, gives the easement holder the right to prevent the owner of land from undertaking certain acts.[84] A conservation easement (a popular type of negative easement) gives the easement holder the right to block high impact development of the burdened land.[85] Other negative easements may prevent owners of the burdened land from building in such a manner as to block a view, or to remove a support wall.[86]

Property law accommodates other use rights as well. Where easements cannot be stretched to cover a particular non-use right, property law permits the use of covenants or equitable servitudes.[87] Covenants and equitable servitudes are commitments to perform or not to perform actions that "touch and concern" land that are

rendering it an easement in gross. In such a case, the easement would continue to benefit Alice even if she sold her title to Blackacre and moved elsewhere, but it would not automatically benefit Danielle who purchased title to Blackacre from Alice. In the past, easements in gross were considered non-transferrable. This is no longer the case. Under modern property law, even easements in gross are transferable. *See* DUKEMINIER ET AL, *supra* note 76.

[83] 302 Mass. 54, 18 N.E.2d 362 (1938).

[84] MERRILL & SMITH, *supra* note 75, at 988-989.

[85] *See generally,* PEARSON, *supra* note 77, at § 60.02(e)(4); Jeffrey A. Blackie, *Conservation Easements and the Doctrine of Changed Conditions*, 40 HASTINGS L.J. 1187 (1989).

[86] *See generally*, PEARSON, supra note 77; J.B. Ruhl, *the Background Principles of Natural Capital and Ecosystems Services- Did Lucas open Pandora's Box* 22 J. LAND USE & ENV. L. 525, 534 (2007) (noting that the four types of traditionally recognized easements were: (1) blocking windows, (2) interfering with air flow in a defined channel, (3) removing artificial support for buildings, and (4) interfering with the flow of water in an artificial channel).

[87] MERRILL & SMITH, *supra* note 75.

anchored in property law rather than contract law.[88] Where the covenant or equitable servitude is successfully created, successors to title in the land are bound by the commitments of their predecessors. For instance, in the famous case of Tulk v. Moxhay,[89] Moxhay became the owner of Leicester Square garden, which had once been owned by Tulk. Tulk had sold the garden to Elms, a predecessor of Moxhay in title, in 1808, and Elms promised to maintain the premises as a garden and never to build in the garden. The court held that Moxhay could be held to Elms' promise because the promise was one that ran with the land to successors in title,[90] under a doctrine that came to be known equitable servitude.[91]

Use rights are an indispensable form of property rights in condominiums and other common interest communities.[92] Fellow owners in the common interest community need to know that their neighbors will continue paying for the upkeep of common areas, for example, and that they will respect parking arrangements. A buyer of a condominium unit, therefore, does not merely buy title to land. She also subjects herself to a complex set of property arrangements concerning use that are anchored in a document called the Declaration or the "CCR" (Declaration of Covenants, Conditions and Restrictions). The use rights and burdens in the Declaration are a crucial part of the property package owned by every owner in the common interest community.[93]

All these use rights in land have a common feature. They are recognized and enforced by property law, and attach to someone other than the owner of the burdened land. When Eloise owns an easement over Francine's land, both Eloise and Francine own property rights, but only Francine has title in the burdened land. Francine continues to have an exclusive right of possession (subject to Eloise's easement). Francine can sell her land, mortgage it, transmit ownership of it by will, and do all the other things an owner can, subject only to the caveat that her ownership and that of any successor in interest will continue to be subject to the use right

[88] *See* WILLIAM B. STOEBUCK & DALE A. WHITMAN, THE LAW OF PROPERTY 475 (3d Ed. 2000); MERRILL & SMITH, *supra* note 75.
[89] Tulk v Moxhay (1848) 41 Eng. Rep. 1143 (Ch.).
[90] *Id.*
[91] *See* DUKEMINIER ET AL, *supra* note 76, at 864.
[92] *See* Jonathan D. Ross- Harrington, *Property Forms in Tension: Preference Inefficiency, Rent-Seeking, and the Problem of Notice in Modern Condominiums* 28 YALE L. & POL'Y REV. 187, 192 (2009) ("Condominiums, like all common-interest communities, are distinguished by their complex system of servitudes and the governance structure designed to amend and enforce the applicable covenants.").
[93] *See* Abraham Bell & Gideon Parchomovsky, *Governing Communities by Auction*, 81 U. CHI. L. REV. 1, 5 (2014) (noting that "[i]n homeowners' and condominium associations, the servitudes are generally aggregated in a large document called the covenants, conditions, and regulations (CCR).").

protected by Eloise's easement.[94]

As we will explain later in this Part, our proposal would create an option for judges to treat fair use rights as durable use rights in the way property law treats use rights. Ownership of the copyrighted work would continue to remain with the author or the successor in interest. However, the fair use too would take on the features of legally cognizable use right that is not merely personal.

B. Market Overt

We now turn to the second of the two flaws we noted in Part I: the lack of marketability of fair uses. As we noted, fair uses are restricted to the particular use by the particular user. Follow-on users undertaking uses identical to the fair use cannot be certain that they too will be found to have used the copyrighted work fairly. The problem can be roughly described as a lack of "marketability" of fair use rights. The term marketability is used in a number of different ways in property law; what interests us here is the ability to turn a personal privilege into a durable property right that can be transferred to others in certain circumstances. This is perhaps best understood by considering the property doctrines of "market overt."

Market overt literally means "open or public market,"[95] but when property lawyers speak of "market overt," they are referring to the set of doctrines under which a seller with defective title can transfer good title to a bona fide purchaser.[96] There are different rules of market overt for chattels and realty. As we shall see, the market overt rules of realty are of particular interest for our proposal.

One of the basic principles of property law in transfers of title is *nemo dat quod non habet*, which means one cannot transfer what one does not have.[97] As a general rule, a buyer cannot acquire better title than the seller had. If Irene owns 50% of Blackacre, she cannot sell to Jacqueline more than 50% of Blackacre; if Irene has no ownership interest at all, she cannot sell anything to Jacqueline. The rules of market overt are an important exception to *nemo dat quod non habet*.[98] Under the rules of market overt, if the buyer purchases

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[94] *See generally* PEARSON, *supra* note 77 § 60.
[95] *See* J.G. Pease, *Change of the Property in Goods by Sale in Market Overt*, 8 COLUM. L. REV. 375, 375 (1908) ("Market overt means a public market…").
[96] *See generally* Harold R. Weinberg, *Markets Overt, Voidable Titles, and Feckless Agents: Judges and Efficiency in the Antebellum Doctrine of Good Faith Purchase*, 56 TUL. L. REV. 1 (1981).
[97] Edward M. Swartz, *The Bona Fide Purchaser Revisited: A Comparative Inquiry*, 42 B.U. L. REV. (1962).
[98] J. WALTER JONES, THE POSITION AND RIGHTS OF A BONA FIDE PURCHASER FOR VALUE OF GOODS IMPROPERLY OBTAINED 38-39 (1921); Daniel E. Murray, Sale in Market Overt, 9 INT'L & COMP. L. Q. 24 (1960).

a good in good faith, and fulfills other conditions, she can acquire good title in the object even though the seller did not own the object at all.[99]

The term market overt is taken from a medieval English doctrine that provided a very broad exception to the general rule of *nemo dat*. In the medieval doctrine, anyone who purchased chattel in a chartered or customary marketplace in the open, in a transaction conducted in public, would acquire good title to the good, no matter what its provenance.[100] Eventually, the term came to be applied to the whole family of doctrines giving purchasers good title contrary to the rule of *nemo dat*.[101] Today, the most familiar of those doctrines is found in UCC, which describes in § 2-403 two distinct situations in which a good faith purchaser can acquire perfect title to an object despite buying it from a seller with defective title.[102] The two doctrines can be roughly described as sales involving voidable title and sales by an entrustee.

The entrustee rule is the easier one to summarize. According to § 2-403(2), '[a]ny entrusting of possession of goods to a merchant who deals in goods of that kind gives [the entrustee] power to transfer all rights of the entruster to a buyer in [the] ordinary course of business."[103] Section 2-403(3) goes on to define entrusting as including "any delivery and any acquiescence in retention of possession regardless of any condition expressed between the parties to the delivery or acquiescence and regardless of whether the procurement of the entrusting or the possessor's disposition of the goods have been such as to be larcenous under the criminal law."[104] The entrusting rule can be easily illustrated. Imagine that Zena owns a car, and that her friend Yolanda owns a business selling used cars. If Zena lends her car to Yolanda for the weekend in order to drive to a vacation cabin, and Yolanda instead drives the car to the used car lot and sells it to Xuan during business hours as if the car were part of the used car lot inventory, Xuan will acquire good title to the car even though Yolanda never owned the car and was not

[99] *See* Alan Schwartz & Robert E. Scott, Rethinking the Laws of Good Faith Purchase, 111 COLUM. L. REV. 1332 (2011)
[100] Shyamkrishna Balganesh, *Copyright and Good Faith Purchasers*, 104 CAL. L. REV. 269, 277 (2016) (The market overt doctrine sought to protect purchasers who bought their goods from sellers in "open" fairs and markets, which formed the principal channel for trade during the time.). *See also* J.G. Pease, *supra* note 95.
[101] Grant Gilmore, *The Commercial Doctrine of Good Faith Purchase*, 63 YALE L.J. 1057, 1057 (1954) (henceforth, Gilmore, *The Commercial Doctrine*).
[102] U.C.C. § 2-403 (amended 1988). *See also*, Grant Gilmore, *The Good Faith Purchase Idea and the Uniform Commercial Code: Confessions of a Repentant Draftsman*, 15 GA. L. REV. 605 (1981) (henceforth, Gilmore, *The Good Faith Purchase*).
[103] U.C.C. § 2-403(2).
[104] U.C.C. § 2-403(3).

authorized by Zena to sell it.

The voidable title rules are more complex. The voidable title rule in § 2-403(1) states that "a person with voidable title has power to transfer a good title to a good faith purchaser for value."[105] Unfortunately, the rule fails to provide its own definition of "voidable" title, and it does not clarify its connection to the common law of voidable title. Instead, the rule goes on to say that "When goods have been delivered under a transaction of purchase the purchaser has such power even though (a) the transferor was deceived as to the identity of the purchaser, or (b) the delivery was in exchange for a check which is later dishonored, or (c) it was agreed that the transaction was to be a 'cash sale', or (d) the delivery was procured through fraud punishable as larcenous under the criminal law."[106] This may be interpreted as an elaboration of the traditional common law categories of voidable title, or, perhaps as the UCC's own illustration of the potential types of voidable title.[107]

The doctrine that good faith purchasers can acquire good title from sellers with defective voidable title is not limited to chattels. The common law also recognizes a market overt-type rule that grants good title to good faith purchasers of real property rights when they purchase those rights from a seller with voidable title.[108] If, for instance, Lena acquires a deed to Blackacre from Katherine, paying with bad checks, and Mary then buys Blackacre from Lena in good faith, Mary can establish good title to Blackacre,

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[105] U.C.C. § 2-403(1).

[106] *Id.*

[107] For discussion *see* Gilmore, *The Good Faith Purchase*, *supra* note 102 at 608-620.. One classic type of voidable title that is clearly part of the common law and the UCC rule is a case where someone acquires defective title through a fraud in inducement such as payment by a bad check. Consider, for instance, the case of Kotis v. Nowlin Jewelry. Nowlin Jewelry, the original owner of a watch, sold it to Sitton for a check that was ultimately dishonored by the bank due to insufficient funds. Before Nowlin Jewelry discovered that the check was bad, Sitton sold the watch to Kotis. When the check was dishonored, Nowlin Jewelry sought to recover the watch on the grounds that Sitton had never acquired good title due to his fraud, and that Kotis, therefore, could not acquire good title from Sitton. Kotis, however, claimed that he had acquired good title to the watch because Sitton's title, while defective, was "voidable," and that Kotis therefore acquired good title as a good faith purchaser for value. The court decided that Sitton's title was voidable, and that a good faith purchaser could therefore take good title. The court reasoned that Nowlin Jewelry had intended to sell the watch to Sitton, and was deceived only about the validity of the payment. Sitton had therefore committed a "fraud in the inducement," which is a type of fraud that leads to the defrauding acquiror obtaining voidable title. Unfortunately for Kotis, the court also determined that Kotis was not a good faith purchaser, and Nowlin Jewelry prevailed notwithstanding Kotis' victory on the issue of voidable title. *Kotis v. Nowlin Jewelry, Inc.*, 844 S.W.2d 920 (Tex. App. 1992).

[108] *See* Balganesh, *supra* note 140 104 CAL. L. REV. at 318. *See also*, Amethyst Land Co. v. Terhune, 326 P.3d 12, 17 (N.M. 2014).

notwithstanding the voidability of Lena's title.

However, the most important exception to the ordinary rule of *nemo dat quod non habet* in real estate comes from an entirely different source. Recording acts for real estate transfers establish broad exceptions permitting purchasers to acquire valid rights to purchased land, even though the title of the transferor was lacking.[109] The classic case covered by the recording acts is one where the owner of land sells the same land to multiple purchasers. A straight application of the logic of *nemo dat quod non habet* would tell us that the first purchaser would acquire good title, and subsequent purchasers nothing. For instance, if Celeste were to sell Blackacre to Darlene, and then to Elsa, the logic of the situation would dictate that Elsa would get nothing because when she "purchased" Blackacre from Celeste, Darlene already owned it and Celeste had nothing to sell. The Recording Acts may dictate a different result. Under the Recording Acts, a subsequent purchaser for value of real estate may establish good title by complying with the Recording Acts conditions.[110] The conditions required of the subsequent purchaser can be roughly divided into three categories. In "race" jurisdictions, a subsequent purchaser can establish good title by recording the purchase before the prior purchaser. In "notice" jurisdictions, the subsequent purchaser can establish good title if she purchases in good faith without notice of the prior transaction (if the prior purchaser's transaction is already recorded at the time of the subsequent purchase, the subsequent purchaser will be deemed to have "constructive notice" of the prior transaction). In "race-notice" jurisdictions, the subsequent purchaser can prevail only if she records first and she purchased without notice of the prior transaction (i.e., if she meets the conditions to win in both a race and a notice jurisdiction).[111]

The title granted by the Recording Acts has some peculiar features. Generally, a subsequent purchaser who acquires good title by meeting the conditions of the Recording Acts can convey that good title to anyone else. To return to the earlier example, let us suppose that Celeste owns Blackacre, and that she sells Blackacre first to Darlene and then to Elsa. Let us further suppose that Darlene fails to record her purchase, and that Elsa has no knowledge of the earlier sale to Darlene, and that Elsa properly records her purchase in the office of the recorder of deeds. The Recording Act (whether of the race, notice, or race-notice variety) would grant Elsa good

[109] JESSE DUKEMINIER, JAMES E. KRIER, GREGORY S. ALEXANDER, MICHAEL H. SCHILL & LIOR JACOB STRAHILLEVITZ, PROPERTY 662 (9th ed. 2018) ("recording acts have the function of protecting purchasers for value and lien creditors against prior unrecorded interests.").
[110] *Id.*
[111] *Id.* at 682-85 (discussing different types of Recording Acts).

title, because even though Celeste lacked title to Blackacre at the time of the sale to Elsa, Elsa bought without notice of the prior sale, and she recorded her purchase first. But let us imagine that the chain of transactions continues. Darlene finally records her purchase, and then Elsa sells Blackacre to Francine. Does Francine have good title? The answer is yes, due to what is called the "shelter rule." The shelter rule clarifies that "one who is not a bona fide purchaser, but who takes an interest in property from a bona fide purchaser, may be sheltered in the latter's protective status."[112] That is to say, a subsequent purchaser who acquires good title as a result of the Recording Act does not merely enjoy a personal privilege, but actually enjoys the rights of any owner with good title, including the right to transfer that title to others.[113]

Like the rules of market overt, our proposal seeks to make fair use rights marketable, enabling fair use findings to "shelter" follow-on users. As in the case of the market overt, it is not necessary for all subsequent uses to be sheltered by the initial fair use finding. However, without a fairly broad shelter rule for fair uses, fair uses could not rightly be described as marketable.

III. A SECOND CONCEPTION OF FAIR USE

In this Part, we introduce our proposal to transform fair use rights into marketable, durable use rights. The gist of our proposal is to introduce a novel conception of fair use alongside the existing type of fair use. Our new kind of fair use is modelled as a property defense that shelters all subsequent users of the work that won a fair use status. On our vision, this new conception would complement, not replace, the existing fair use defense. We also explain how

[112] E.g., Sun Valley Land & Minerals, Inc. v. Burt, 123 Idaho 862, 853 P.2d 607 (1993).

[113] M.J. Higgins, *The Transfer of Property Under Illegal Transactions*, 25 MODERN L. REV. 149 (1969). While the shelter rule provides wide protection for the good faith purchaser, that protection is not prophylactic. One standard exception to the shelter rule is called the "original owner exception." It provides that "when a good faith purchaser obtains the property from a grantor who had notice of an outstanding interest in the property, the shelter rule does not apply if the property is reconveyed to the grantor." Strekal v. Espe, 114 P.3d 67, 74 (Co. Ct. App. 2004). To illustrate this, let us return to our prior example in which Celeste conveys Blackacre first to Darlene and then to Elsa, and Elsa acquires good title due to the Recording Act. If Elsa sells Blackacre to the innocent Francine, Francine will enjoy the benefit of the shelter rule, and she, too, will be considered the owner of Blackacre with good title. If, however, Elsa sells Blackacre to Celeste, Celeste will not be able to take advantage of the shelter provided by Elsa's recorded good faith purchase, and she will not be able to reacquire title from Elsa. A second exception to the shelter rule is when the benefiting party from the Recording Act then conveys to a new purchaser who "who is guilty of violating a trust or duty with respect to the property." *Id*. at 74.

judges would choose between the two conceptions of fair use in individual cases. We show that our proposed addition would improve the workings of our copyright system. After presenting our proposal, we show that our proposal to reform fair use law is consistent with the general trend in copyright law to create rights for the creators of follow-on works in order to enhance works' marketability.

A. A Proposal for Reforming Fair Use Law

Our reform proposal consists of three interlocking steps. First, we introduce a new conception of fair use, under which fair use would constitute as an in rem, property remedy. This new conception is not intended to supplant existing fair use doctrine, but, rather, to complement it. The vision we present below consists of two conceptions of fair use: the in personam, familiar form and a new in rem fair use exception. This would lead to a two-option fair use menu. Second, we give judges the ability, in appropriate cases, to shelter not only the particular defendant before them, but also all subsequent legitimate users of the defendant's work. Judges could do this by ruling in the particular case that the fair use finding is in rem and marketable. Third, to ensure clarity, we propose two default rules that determine which of the two conceptions of fair use would apply if the court failed explicitly to choose between the competing conceptions of fair use.

As we explained, extant fair use is an in-personam defense that applies on a per use basis. Our first innovation is to introduce a different conception of fair use that is fashioned as a property defense. Under the our proposed in rem conception of fair use, fair use would take on the character of an easement on a copyrighted work. Once a certain use had been declared fair by a court, the classification would carry over to other users who want to make use of the same expression. In other words, a court's finding of fair use would have the same effect as market overt rules in property: it would allow defendants whose use was ruled fair by a court to give use rights free of claims by prior authors whose content was incorporated into the work. Fair use, in other words, would have sheltering power.

On this conception of fair use, if the Supreme Court were to find that Google's use of Oracle's APIs was fair, the benefit of the ruling would inure not only to Google, but also to all the developers of all the applications that run on Android. Since they operated with Google's blessing and clearly had permission from Google to offer their content to Android users, they, too, would be sheltered from potential lawsuits from Oracle.

It should be emphasized that this proposed property conception of fair use is not meant to replace the traditional fair use defense. Rather, it is designed to complement it. Hence, the introduction of the property version of fair use would result in a simple legal menu with two fair use conceptions: (a) the traditional in personam fair use defense that avails only the specific individual defendant and would cover only particular use she has made of the plaintiffs work; and (b) the property version of fair use that protects not only the concrete defendant, but all subsequent users who received permission from her to use the work.

The introduction of a fair use menu would require judges to choose among three options in fair use cases (as opposed to the two familiar options they choose from today). Judges could deny fair use altogether, find traditional fair use or grant the property version of fair use. Importantly, the criteria for making the decision would remain the same. We do not propose changing the traditional fair use test enshrined in section 107 of the Copyright Act. Hence, judges will not have to retrain themselves. Substantively, they would be asked to perform the same familiar task they have always performed. Only the consequences would change. The introduction of the property version of fair use would enable judges to redefine the ramifications of a fair use ruling by extending their decision to a much larger group of users.

Judges would have the power to grant the expansive, property version of fair use, irrespective of the defendant's pleadings. In fact, defendants would not be required to specify which of the two fair use varieties they argue. As today, they would simply argue fair use. The reason is simple: if defendants were forced to choose between the two options and their choice would bind the court, defendants would likely prefer to err on the side of safety and raise the traditional fair use defense. Hence, it should be the judge and not the defendant who gets to decide which of the two conceptions of fair use to adopt.

Since our proposal does not affect the ability of judges to find traditional fair use, it should not raise any concern that it would adversely affect the willingness of judges to find fair use. Judges who were wary of ruling in favor of an in rem fair use could reject that option, and stick with the traditional fair use finding. Judges, in other words, could always take the safe and conservative approach.

The third part of our proposal is to establish a set of default rules that would determine which of the two versions of fair use would obtain where judges fail to address this point. Where judges remain silent (accidently or deliberately) as to whether they adopted the in personam or in rem version of fair use, we propose that the determination be made in accordance with the following guidelines. In cases in which the alleged infringement consists of incorporating copyrighted content into a new work, as in the case of the Android operating system, or the "Pretty Woman" song, the property version of fair use should be the legal default. This is because in such cases, the marketability of the putatively infringing derivative work is a paramount concern and a broad fair use finding would benefit all future users of this work. In all other cases, the traditional, in personam conception of fair use would constitute the default setting. For example, if a college professor plays a short video to her students and gets sued by the copyright owner, the traditional in personam version of fair use should apply. Here it is important to grant protection to the professor on a personal, per use, basis. There is no need to extend protection beyond her. Marketability is not a paramount concern and the traditional version of fair use therefore suffices.

To illustrate, consider the famous case of Sony v. Universal City Studios.[114] In that case, Sony, the manufacturer of the Betamax video cassette recorder, argued that home users of the recorder could lawfully record over-the-air television programs in order to watch them later. The Supreme Court agreed, finding that such copying for the purpose of "time-shifting" falls within the boundaries of fair use.[115] In large part, the Court adopted the analysis of the trial court, which viewed the noncommercial personal use of the recordings as central to the finding of fair use.[116] In cases where the finding of fair use is grounded primarily or solely in the fact that the work is being personally used by the user, there is little utility to a potential fair use easement. In such cases, even where the judges fail to specify what type of fair use they prefer, it should be obvious that the fair use ruling is in personam.

B. Our Proposal Compared to Collateral Estoppel

At this point, some of readers may wonder if our proposal is not made superfluous by the non-mutual collateral estoppel doctrine. As we will explain, the answer is no. The non-mutual collateral estoppel has branched out of its more familiar cousin, mutual collateral estoppel. Both doctrines deal with issue preclusion, a subset of res judicata.[117] Their rationale for existence is to economize on judicial resources.[118] The basic idea is "that once a person has been afforded a full and fair opportunity to litigate a

[114] Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984).
[115] *Id.* at 455 ("home time-shifting is fair use.").
[116] Universal City Studios v. Sony Corp. of America, 659 F.2d 963 (9th Cir. 1982).
[117] *See* Jarosz v. Palmer, 766 N.E.2d 482, 487 (Mass. 2002) (dividing res judicata law into issue preclusion and claim preclusion).
[118] See Gramatan Home Investors Corp., 386 N.E.2d at 1331 (explaining that issue preclusion is necessary "to conserve judicial resources by discouraging redundant litigation.").

particular issue, that person may not be permitted to do so again."[119] Historically, issue preclusion arose only between the same litigants.[120] Thus, the doctrine was called mutual collateral estoppel. Over time, the mutuality requirement has been eroded, primarily out of fear of inconsistent rulings by different courts, and the non-mutual collateral estoppel was born.

The potential validity of non-mutual collateral estoppel was first recognized for *defensive* purposes by the California Supreme Court in Bernhard v. Bank of America National Trust & Savings Ass'n.[121] In Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation,[122] a patent infringement case, the U.S. Supreme Court gave its approval to the use of defensive non-mutual collateral estoppel. In Blonder-Tongue Laboratories, the respondent, whose patent was ruled invalid in prior litigation, tried to assert the same patent against a different corporation. The Court ruled that collateral estoppel applied, even though different parties were in court, and the patent claim was therefore barred.[123] Subsequently, in Parklane Hosiery Co. v. Shore,[124] the Court also recognized the possibility of using non-mutual collateral estoppel offensively, granting trial courts "broad discretion to determine when it should be applied."[125] In addition to its place in federal law, non-mutual collateral estoppel doctrine has been adopted in a majority of states, although a sizeable minority continues to insist on mutuality.[126]

The doctrine of non-mutual collateral estoppel has been criticized by commentators on both fairness and efficiency grounds.[127] Without wading into this debate, our aim is to explain why the doctrine of non-mutual collateral estoppel falls short of the in rem fair use conception we propose in this Article. Most importantly, unlike validity determinations, whose applicability is universal (a copyright or a patent is either valid or not), fair use determinations are invariably context specific. For this reason, non-mutual collateral estoppel will rarely, if ever, come into play in fair use cases. Differences in party identity and even minor differences

[119] *Id.*
[120] *See e.g.,* Lewis A. Grossman, The Story of Parklane: The "Litigation Crisis" and the Efficiency Imperative, in CIVIL PROCEDURE STORIES 387, 390-91 (Kevin M. Clermont ed., 2004).
[121] 122 P.2d 892 (Cal. 1942).
[122] 402 U.S. 313 (1971).
[123] *Id*. at 347. *See also*, Gideon Parchomovsky & Alex Stein, *Intellectual Property Defenses*, 113 COLUM. L. REV. 1483, (2013) (classifying patent invalidation as a general, in rem, defense).
[124] 439 U.S. 322 (1979).
[125] *Id. at 331.*
[126] Steven P. Nonkes, *Reducing the Unfair Effects of Nonmutual Issue Preclusion through Damages Limits*, 94 CORNELL L. REV. 1459, 1468 (2009).
[127] For review, see *id.* at1469-74.

in use assure that it is nearly impossible for a fair use issue to arise in precisely the same manner in proceedings between other parties, even over the same work or set of works.

Our in rem fair use conception, by contrast, is tailored to provide substantive, as opposed to procedural, shelter. It does not require downstream users to show that their use is exactly the same as that of a previous fair user; and it is unlikely that the uses will ever be precisely identical. The easement analogy is illuminating here, too. An in rem fair use ruling, similar to an easement, runs with the asset to all future users. A court that decides to award an in rem fair use is presumed to have taken into account the possibility that follow-on users might use the content in different ways and to have approved of this option. As we emphasize throughout this Article, the in rem conception is not applicable to all cases and where it is inapplicable, a court can find a standard, in personam, fair use, or deny fair use altogether. But once it adopts the conception we propose, all future users of the specific content will be sheltered.

Finally, we should note that our proposal obviates the need to litigate. An in rem fair use ruling would avail all future users, giving them peace of mind and a true sense of security. A non-mutual collateral estoppel cannot achieve this. It should be borne in mind that the cost of litigation and the fear of the uncertainty that accompanies it often combine to stifle individual creativity and limit the use of existing copyrighted content.

C. The Advantages of Our Proposal

Our proposal offers three potential advantages relative to the current one conception regime of fair use. First, the introduction of that in rem, property version of fair use would increase certainty with respect to the use of derivative works that fairly incorporate preexisting copyrighted content. As we explained, the adoption of our proposal would allow judges in appropriate fair use cases to shelter other potential users by allowing them to engage in the same use that was ruled fair. At the same time, our approach would permit tailoring remedies to the specific circumstances of fair use cases. Currently, all fair use cases are treated in the same manner. Extant doctrine allows judges to take account of societal concerns, but at the end of the day the ruling affects only the defendant. The proposed property version of fair use would allow judges to take account of the potential for future uses of the fair use work, without being constrained to a single conception. Under our proposal, judges would have the ability to consider the implication of fair use claims for other users and fashion their rulings accordingly. Moreover, the default settings of fair use we proposed would ensure clarify about the particular meaning of fair use rulings in those cases where the judge chose not to specify which version to apply.

Second, our proposal would have the salutary effect of lowering transaction and litigation costs for follow on creators.[128] Current fair use doctrine forces creators of expressive works that rely on prior derivative works to obtain licenses from both the original owner and the fair user, or plead their own fair use case anew in court. Both options are costly. To a large degree, our proposal alleviates this burden. In cases in which judges would find a property fair use, the ruling would economize on transaction costs for follow-on users and conserve judicial resources for courts. This is because, unlike existing fair use rulings, in rem fair uses would clear the path for all subsequent users of the work involved in the litigation.

To illustrate, imagine that the Supreme Court were to issue a property fair use ruling in favor of Google. Such a ruling would put out of harm's way not only all the companies that created Android enabled applications, but also all future companies that produce such applications. This, in turn, would free up considerable resources for the relevant parties.

Third, and finally, our proposal would enhance the use of copyrighted content. The sheltering principle would enable multiple downstream users to create adaptations of derivative works that were found by courts to make fair uses of older works. Any finding by a court of an in rem fair use would permit downstream users to utilize the fairly used content without worrying about being exposed to legal liability for incorporating it into a new work. The addition of the property conception of fair use will open up new creative avenues for follow-on creators and users and, in the aggregate, increase the liberties the public at large would have with respect to copyrighted content. Needless to say, these options would arise when a court deems them appropriate. As should be clear, the availability of the broad fair use conception is born out of judicial determination or implicit judicial approval in appropriate cases. In all other cases, the familiar view of fair use would apply.

IV. EXTANT COPYRIGHT LAW AND MARKETABILITY

Having proposed our suggested reform of fair use law, we now turn to showing how it is consistent with the general trend in copyright law.

As we have noted,[129] fair uses often involve the creation of a follow-on work to an already copyrighted original work. Even when

[128] For discussion, *see infra,* Part I.B.
[129] *Supra* Part I.

the use is fair, and the creation of the follow-on work lawful, copyright ownership in the original persists undisturbed, including in those pieces of the original incorporated in the follow-on work. In the absence of a mechanism like our proposal, this doctrinal feature of copyright sets up future clashes between the rights of the creator of the follow-on work (the fair user) and the rights of the owner of the original work. Every use of the follow-on work (such as a public performance) necessarily involves a use of the original work, and thus, absent our proposal, the follow-on work can never be used without a license from the owner of the original work.

Fair uses are not the only instances in which copyright law has had to cope with the fallout of the lawful creation of a follow-on work that incorporates parts of an original work owned by someone else. Indeed, the world of copyright is replete with instances of follow-on works being created lawfully with permission from the owner at the time, only to have ownership of the original work reassigned to someone else who no longer permits use of the derivative work. Fortunately, as we shall see, copyright law has created a number of compromise solutions where owners of an original deny permission to the owner of an already existing follow-on work. These solutions ensure some measure of durability and marketability of rights in a follow-on work after the reassignment of ownership. These compromise solutions share many features with our proposed reform of fair use law.[130]

Copyright's termination rights, for instance, give former owners of copyrights the ability, in some cases, to terminate a prior transfer of ownership, and thereby to recover ownership of a copyright after many years in which the rights had belonged to the transferee.[131] In some cases, the former transferee/owner had properly authorized the creation of a derivative work, but the post-termination owner (the original owner) no longer wishes to license the use of the derivative work. Without some arrangement to ensure the durability and marketability of rights in the now-problematic derivative work, use of the derivative work will depend on the decision of the original owner. That original owner could veto all uses of the derivative work and essentially render it worthless. Fortunately, the law of copyright termination provides for the continued exploitation of derivative works following termination.[132]

In the remainder this Part, we examine the law of termination

[130] For a different proposed approach to follow-on works, as part of a comprehensive approach to copyright improvements, *see* Mark A. Lemley, *The Economics of Improvement in Intellectual Property Law*, 75 TEX. L. REV. 989 (1997).
[131] *See infra*, Part III.D.
[132] *Id*.

rights and other situations in which copyright law has confronted potential clashes between the rights of owners of a copyright in a work and the rights of the owner of a follow-on work. We show that, in such situations, Congress and the courts have employed doctrinal mechanisms similar to our proposed version of fair use to preserve and enhance the marketability of expressive content and prevent copyright holders from blocking the use of works that rely on preexisting content. Specifically, in the remainder of this Part, we discuss three instances that illustrate this dynamic: renewals of copyrights, termination of copyrights and restoration of copyright protection. In each case, we illustrate the potential problem of durability and marketability and look at the solution already incorporated in copyright law.

A. Renewals

Our first example concerns renewal rights.

Since the inception of legal copyright protection,[133] copyrights have been limited in time; no one owns a perpetual copyright in a work of authorship. Today, in most cases, copyrights persist for 70 years after the death of the author.[134] This unitary term of protection is an innovation of the 1976 Copyright Act.[135] Historically, the copyright protection term was not unitary. Authors would receive an initial term of protection (14 years under the earliest copyright statutes,[136] but 28 years under the 1909 Copyright Act[137]), and a right to renew that protection for a second "renewal term" of equal length (another 28 years under the 1909 Act).[138] While the first protection period was granted to authors automatically, the second term was not; authors had to obtain it by following the procedure for renewing their rights.[139] When the 1976 Copyright Act introduced unitary terms, it did not retroactively unify the terms of all copyrights then in existence. Unitary terms applied under the 1976 Act prospectively only; copyrights created on or after the act's effective date of January 1, 1978 enjoyed a unitary term.[140] Copyrights created earlier than that continued to have bifurcated

[133] Statute of Anne, 1710, 8 Ann., C. 19 (Eng.).
[134] Copyright Act of 1976, 17 U.S.C. § 302 (a).
[135] Avishalom Tor & Dotan Oliar, *Incentives to Create Under a Lifetime-Plus-Years Copyright Duration: Lessons from a Behavioral Economic Analysis for Eldered v. Ashcroft*, 36 LOY. L.A. L. Rev. 437 (2002) (discussing the incentive effects of the move to a single fixed term in the 1976 copyright act).
[136] For discussion, see Tor & Oliar, *id.* at 450 n. 39 (surveying the history of copyright protection terms under various copyright acts).
[137] Copyright Act of 1909, 17 U.S.C. § 24 (1970).
[138] *Id.*
[139] *Id.*
[140] *See* 3 NIMMER ON COPYRIGHT §9.01 (reviewing the history of the copyright terms).

terms—an original term for 28 years, and a longer renewal term (the 1976 Act extended the renewal term to 47 years, and later legislation extended it again to 67 years).[141] This meant that, even after passage of the 1976 Act, owners would have to file their renewal papers on time, and in the proper format, in order to enjoy the full potential term of protection for works created in the decades before the effective date of the 1976 Act. In 1992, Congress relaxed this burden by making renewal automatic.[142] This meant that works created and published with notice between the years of 1964 and 1977 would get the full 75 (and later 95) years of protection, but that protection would be divided between a 28 year original term, and an automatically received 47 (later 67) year renewal term.[143]

From the outset, courts viewed ownership of the renewal right as separate from ownership of the copyright in the initial term of protection.[144] This was not a far-fetched interpretation. Section 23 of the 1909 Act, for example, specified that "the copyright secured by this Act shall endure for twenty-eight years from the date of first publication" before separately establishing that "the author of [a copyrighted] work, if still living, or [the successor designated by law] shall be entitled to a renewal and extension of the copyright in such work for a further term of twenty-eight years when application for such renewal and extension shall have been made to the copyright office and duly registered therein within one year prior to the expiration of the original term of copyright."[145] Similar treatment could be found in earlier copyright acts.[146]

The bifurcation of copyright into two separate sets of rights—one associated with the initial term, and the second associated with the potential renewal term—could be decisive in copyright disputes. If, for instance, Jane Doe wrote a short story, and then sold rights in the story to BigBook Publishing House, courts would view Bigbook as the owner of the first 28-year term of copyright protection in the short story, but not necessarily as the owner of the renewal right. Unless there were some reason to read the license otherwise, it would be Doe who would own the renewal right. If Doe properly filed renewal forms in the 28th year of copyright protection, the short story would then enjoy an additional 28 years of copyright

[141] *Id*.
[142] Copyright Renewal Act of 1992, Pub. L. No. 102-307, 106 Stat. 264 (1992).
[143] *Supra* note 140.
[144] *See e.g. G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469 (2d Cir. 1951) (holding the renewal right "creates a new estate, and the few cases which have dealt with the subject assert that the new estate is clear of all rights, interests or licenses granted under the original copyright").
[145] Copyright Act of 1909, 17 U.S.C. § 24 (1970).
[146] *See* Seymour M. Bricker, *Renewal and Extension of Copyright* 29 S. CAL. L. REV. 23, 24 (outlining the history of copyright renewal and ownership rights in the common law).

protection, and Doe would be the owner of the copyright during that renewal term.

In the landmark 1943 case of Fred Fisher Music Co. v. M. Witmark & Sons, the Supreme Court determined that authors could transfer renewal terms before they were secured.[147] Thus, a single transfer of rights could cover both the initial term and the renewal period.[148] In our example, Jane Doe could sell to BigBook Publishing House her renewal term together with the original term of copyright protection if she so desired. However, courts placed some limits on the transfer of renewal terms. The courts noted that the statute did not unambiguously give renewal terms to the author;[149] the 1909 statute granted the renewal term to the author "if still living, or the widow, widower, or children of the author, if the author be not living, or if such author, widow, widower, or children be not living, then the author's executors, or in the absence of a will, his next of kin."[150] Courts determined that if the author died before securing the renewal term, the attempted transfer of the renewal term would be ineffective, because the author never had any rights to give; instead, the rights to the renewal term would pass to the statutory designees who would be free to ignore the transfer.[151]

This judicial scheme provided the background for the dilemma addressed by the Second Circuit Court of Appeals in Rohauer v. Killiam Shows, Inc.[152] The 1977 case concerned the Rudolf Valentino film The Son of the Sheik, which had been based on an earlier novel The Sons of the Sheik.[153] The novel had been written by Edith Maude Hull, who had sold the motion picture rights to Joseph Moskowitz.[154] On the basis of that sale, a film was made, and the film copyright was subsequently sold several times, ending up in the hands of Killiam Shows.[155] Unfortunately, Hull (the author of the novel) died too early to renew her copyright, and the renewal right ended up with her daughter Cecil Winstanley Hull, who ended up selling all rights in the novel to Rohauer.[156] Thus, Rohauer ended up with the copyright in the novel during the renewal period, while

[147] *Fred Fisher Music Co. v. M. Witmark & Sons,* 318 U.S. 643, 659 (1943).
[148] *Id.*
[149] *See e.g. De Sylva v Ballentine* 351 U.S. 570, 573 (1956) ("the statute is hardly unambiguous, however, and present problems of interpretation not solved by literal application of the words as they are 'normally' used.").
[150] Copyright Act of 1909, 17 U.S.C. § 23 (1970).
[151] For discussion, see Jeffrey M. Lowy, *When Does the Renewal Term Vest: Before and After the Copyright Renewal Act of 1992*, 13 LOY. L.A. L. ENT. L. REV. 437 (1993).
[152] *Rohauer v. Killiam Shows, Inc.* 551 F.2d 484.
[153] *Id.* at 486.
[154] *Id.*
[155] *Id.*
[156] *Id.*

Killiam Shows owned the copyright in the film. Rohauer sought to block a television broadcast of the film. There was no question that the film had been lawfully made, and that Killiam Shows lawfully owned the copyright in the film. However, there was also little doubt that the film incorporated large copyrighted parts of the novel (such as its plot).[157] Rohauer therefore argued that his ownership of the copyright in the novel was sufficient to prevent broadcast of the film.[158]

The court disagreed. Emphasizing that the film-maker had invested far more in creating the work than an owner of a renewal right who acquired it solely by surviving the original author of the novel, the court found that where a copyright had been established in a derivative work lawfully created by license during the original term, the invalidity of the license in the renewal term due to the untimely demise of the original author could not prevent continued exploitation of the derivative work.[159] Acknowledging that its finding didn't precisely match the text of the statute, the court claimed that the statute's ambiguity, together with compelling policy reasons, pointed towards viewing the creation of the derivative work as the creation of a broad property right that could override the rights of the owner of the renewal term.[160] As Nimmer unhappily summarized what he called the "new property rights theory" at the heart of the case, "once a derivative [or collective] work is created pursuant to a valid license to use the underlying material, a new property right springs into existence with respect to the entire derivative work, so that even if the license is thereafter terminated, the proprietor of the derivative work may nevertheless continue to use the material from the underlying work as contained in the derivative [or collective] work."[161]

The Supreme Court overturned the Second Circuit's Rohauer ruling in the 1990 case Stewart v. Abend.[162] Stewart v. Abend involved the fate of the famous 1954 Alfred Hitchcock movie Rear Window, starring Jimmy Stewart. The movie was based on a 1942 short story by Cornell Woolrich, entitled "It Had to Be a Murder."[163] Woolrich had sold motion picture rights to the short story for both the original and renewal terms to BG De Sylva Productions;[164] eventually the rights were purchased from De Sylva's successors in interest by Alfred Hitchcock's and Jimmy

[157] *Id.*
[158] *Id.* at 487.
[159] *Id.* at 492-94.
[160] *Id.*.
[161] NIMMER, *supra* note 140 at § 3.07.
[162] 495 U.S. 207 (1990).
[163] *Id.* at 211-12.
[164] *Id.* at 212.

Stewart's company Patron.[165] Unfortunately, Woolrich died in 1968, without getting the opportunity to renew the copyright. Woolrich's transfer of the renewal term was thus ineffective (because Woolrich had never owned it), and ownership of the renewal term fell to the executor of the estate, and, ultimately, to Sheldon Abend.[166] The movie Rear Window came out in 1954, during the initial term of copyright, and therefore was solidly within the terms of Hitchcock's and Stewart's right to create and exploit the derivative work during the copyright's initial period of protection (1942-1970). However, in 1971, ABC television broadcast Rear Window on the basis of a license from Stewart and Hitchcock.[167] Abend objected. According to Abend, while Stewart and Hitchcock rightly owned the copyright in Rear Window, there were plot elements of the movie that came from the short story, and those elements were not part of the Rear Window copyright, but, rather, part of the short story copyright.[168] Abend claimed that as the owner of the copyright in the short story during the renewal term, he had the right to prevent any broadcasting of the plot elements in any form, including in the form of a legitimately created derivative work.[169]

Rejecting the reasoning of Rohauer, the Supreme Court sided with Abend. The Court found that nothing in the language of the copyright act granted any rights to the owners of follow-on works to continue using material within the copyright of the original work without permission.[170] The Court brushed aside policy arguments, saying "[t]hese arguments are better addressed by Congress than the courts."[171]

Congress did not take long. Only two years after the Court's ruling in Stewart v. Abend, Congress enacted the Copyright Renewal Act of 1992, which provides in relevant part that "If an application to register a claim to the renewed and extended term of copyright in a work is not made within 1 year before the expiration of the original term of copyright in a work, or if the claim pursuant to such application is not registered, then a derivative work prepared under authority of a grant of a transfer or license of the copyright that is made before the expiration of the original term of copyright may continue to be used under the terms of the grant during the renewed and extended term of copyright without infringing the copyright, except that such use does not extend to the preparation

[165] *Id.*
[166] *Id.*
[167] *Id.*
[168] *Id.*
[169] *Id.* at 212-14.
[170] *Id.* at 223.
[171] *Id.* at 228.

during such renewed and extended term of other derivative works based upon the copyrighted work covered by such grant."[172]

This turgid provision, appearing today in section 304(a)(4)(A) of the Copyright Act, partially reverses the ruling in Stewart v. Abend and partially restores the rule of Rohauer v. Killian. However, the reversal only applies in a narrow set of cases—in cases where the owner of the renewal term failed to file the required forms, and instead relied upon the Copyright Act's automatic renewal for works published between the years of 1964 and 1977.[173] In that narrow set of cases, anyone who made a properly licensed derivative work during the original term of protection could continue to use it during the renewal term as if the grant for the original term remained in force throughout the renewal term.[174] In all other cases, the ruling in Stewart v. Abend continues to apply.[175]

B. Terminations

A related instance in which copyright law has incorporated protections for the durability and marketability of follow-on works can be found in the law of terminations.

As we noted, the 1976 Copyright Act replaced the two-term copyright protection of previous versions of the copyright act with a unitary term.[176] In doing so, the 1976 Copyright Act ensured that legal difficulties associated with renewal terms would gradually disappear, since copyrighted works created after the effective date of January 1, 1978 would not require renewal (Old works continued to have a renewal term, but renewal became automatic.[177]). This reform ought greatly to have simplified questions of ownership. It did not.

While phasing out the renewal term, Congress created a new mechanism for undoing copyright transfers. The copyright act now allows authors (or their designated successors) to terminate most transfers and to regain the copyright after a certain period of time.[178] The termination rules are exceptionally complex, requiring notice to be served upon transferees two to ten years before the precise date of termination, which must fall within a statutorily defined five-year window. The statute creates six different ways to calculate the five-year window, depending on the date of the transfer, whether

[172] Copyright Renewal Act of 1992, Pub. L. No. 102-307, 106 Stat. 264 (1992).
[173] For discussion, see Lowy, *supra* note 151 at 468-69 ("The main purpose of the Copyright Renewal Act of 1992 is to provide a system of automatic renewal of copyrights.").
[174] *Id.*
[175] *Id.*
[176] Copyright Act of 1976, 17 U.S.C. § 302(a).
[177] Lowy, *supra* note 151.
[178] Copyright Act of 1976, 17 U.S.C. § 203(a).

the work was published, and whether the transfer had previously been eligible for termination.[179]

Generally, the aim of the scheme is described as openly paternalistic—to give authors the opportunity to resell copyrights after having already sold them a first time.[180] On this view, authors benefit by being forced to sell fewer rights in an initial transaction so they can then sell the remaining rights in a later transaction, after the market for the copyrighted work has fully developed (or disappeared).[181] A different explanation for the termination rules focuses on the windfall created by the extended terms created by the reform of copyright rules.[182] Together, the 1976 act and the later Sonny Bono Copyright Term Extension Act of 1998 retroactively extended the duration of copyright rights by as much as thirty-seven years.[183] These extensions bestowed a windfall on the owners of valuable copyrights. Termination rights permit authors to seize a part or all of the windfall from transferees, in a situation where neither anticipated the future windfall at the time of the initial transfer.

As with the ownership rules of renewal terms, termination rights create the potential for a clash between owners of rights in the original work, and owners of rights in a lawfully-created follow-on work. It is possible, for example, for a comic book author to sell to a movie studio all motion picture rights, and, then, many years later, for the author to terminate the sale, and recover all the previously transferred rights in the comic book.[184] If, in the meantime, the movie studio had made several movies on the basis of the rights it had purchased, the studio would still own copyright in the film, but it would be unable to use the films, because the films would naturally incorporate characters, plot lines, and even dialogue from the comic books.

Congress, however, took greater notice of the potential clash than it did with respect to renewal terms. Section 304(c)(6)(A) of the Copyright Act provides that "[a] derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this

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[179] Copyright Act of 1976, 17 U.S.C. §§ 203(a), 304(c)-(d).
[180] *See, e.g.*,, NEIL WEINSTOCK NETANEL, COPYRIGHT'S PARADOX 6 (2008).
[181] Lydia Pallas Loren, *Renegotiating the Copyright Deal in the Shadow of the 'Inalienable' Right to Terminate*, 62 FLA. L. REV. 1329 (2010).
[182] *See* NIMMER, *supra* note 140 at §11.02.
[183] *Id.*
[184] *Cf. Marvel Characters, Inc. v. Kirby*, 726 F.3d 119 (concerning attempted termination by the children of comic book artist Jack Kirby of transfer to Marvel of rights in characters such as Spider-Man, the Fantastic Four, and the X-Men); *Siegel v. Warner Bros. Entm't Inc*., 542 F. Supp. 2d 1098, 1114 (C.D. Cal. 2008), (concerning attempted termination by Superman creators Jerry Siegel and Joe Shuster of transfer of rights to Superman).

privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant."[185] The result of this provision is that if the lawfully-created follow-on work is a derivative work, as the term is defined by the copyright, the owner of the follow-on work should prevail in a clash with the owner of the original rights. The owner of the follow-on work, and other lawful licensees of the follow-on work, will be able to continue using the work, so long as they abide by the terms of the pre-termination grant.

C. Restored Copyright

A third situation in which the problems associated with transitory personal rights has arisen is in cases of "restored copyrights." Restored copyrights are the result of a pair of laws adopted by Congress as part of the United States' accession to the Berne Convention: the Berne Convention Implementation Act of 1988[186] (effective date March 1, 1989), in which the United States joined the Berne Convention, and the Uruguay Round Agreements Act of 1994[187] (effective date January 1, 1995), in which the U.S. amended its copyright law in various ways to fall into line with legal standards demanded by international trade treaties. The new laws granted retroactive copyright protection to foreign works that had enjoyed copyright protection in other countries, but were not protected in the United States due to their failure to abide by legal formalities that were once part of the law, but are no longer — such as the requirement to place proper copyright notice on every published copy.[188] The laws created a category of "restored copyrights" — copyrights in works that had spent years or decades in the public domain in the United States, but, as of January 1, 1996, found themselves "restored" to the hands of the original author.[189]

To understand how restored copyrights work, consider the following example. Alexis Author, a resident of London, wrote and published a novel called Good England, in London, in 1955. In 1958, Alexis Author authorized American Publishers, Inc. to sell copies of the novel in the United States; unfortunately, American Publishers failed to include the copyright notice in each copy

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[185] Copyright Act of 1976, 17 U.S.C. § 304(c)(6)(A).
[186] Pub. L. No. 100-568, 102 Stat. 2853 (1988) [hereinafter "Berne Convention Implementation Act"].
[187] Pub. L. No. 103-465, 108 Stat. 4976 (1994) [hereinafter "Uruguay Round Agreements Act"].
[188] Tung Yin, *Reviving Fallen Copyrights: A Constitutional Analysis of Section 514 of the Uruguay Round Agreements Act of 1994*, 17 LOY. L.A. ENT. L. J. 383, 384 (1997).
[189] *See* NIMMER, *supra* note 140 at § 9A.04.

required by U.S. law at the time.[190] Publication without notice in 1958 thus stripped the novel of any copyright protection in the United States, even though the novel continued to enjoy copyright protection in Britain. Section 104A of the Copyright Act (as rewritten by the Uruguay Round Agreements Act of 1994)[191] automatically restored Alexis Author's rights to Good England in the United States as of January 1, 1996; Alexis's U.S. rights in her novel will therefore remain in force for 95 years, through 2053.

Restored copyrights have the potential to pose problems for follow-on works created during the period where the work lacked copyright protection. Consider what would happen if in the above example involving Alexis Author's British novel, the American company, Movie Studios, Inc. decided to make a film version of Good England in 1960, during the period when the novel Good England was in the public domain in the United States. Obviously, in 1960, Movie Studios would not need any sort of license to create its movie, since the novel was in the public domain at the time. However, after January 1, 1996, any public showing of the movie would necessarily involve a public performance of those parts of the novel incorporated in the film. As in the cases of derivative works in the renewal term, or after termination, the film would be a follow-on work that had been lawfully created but could no longer be lawfully used.

In the case of restored copyrights, the problem did not escape the notice of Congress. Section 104A specifically addresses the case of "reliance parties"—parties who relied on the public domain status of the work prior to the restoration of copyright to engage in actions that would be copyright infringements had the works been protected, and who continued to engage in such actions after restoration of the copyright.[192] The statute gives reliance parties certain rights to continue using the work in ways that would otherwise be seen as infringements: a statutory license to continue using derivative works,[193] and a grace period for other uses.[194]

The grace period is for a one-year period, but the onset of the period is not the date of copyright restoration. Rather, the grace period begins when the reliance party receives notice (or is

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[190] *Id*. at §§ 7.02-7.03.
[191] Copyright Act of 1976, 17 U.S.C. § 104A.
[192] Copyright Act of 1976, 17 U.S.C. § 104A.
[193] Copyright Act of 1976, 17 U.S.C. § 104A (d)(3)(A)(ii) ("… a reliance party may continue to exploit that derivative work for the duration of the restored copyright if the reliance party pays to the owner of the restored copyright reasonable compensation for conduct which would be subject to a remedy for infringement…").
[194] Copyright Act of 1976, 17 U.S.C. § 104A (d)(2)(B) (outlining a 12- month grace period for reliance parties after notice is given of intent to restore a copyright).

constructively put on notice) that the restored copyright owner intends to enforce her rights.[195] During the one-year grace period, the reliance party can continue to use the work in ways that would be considered infringing, including distributing, performing and displaying the work, and authorizing others to do the same.[196]

Derivative works based upon a work with restored copyright enjoy even more rights. As long as the derivative work was created a sufficient time before restoration (before the effective of the Uruguay Round Agreements Act, or, in certain cases, before the joining of the Berne Convention and other treaties by the foreign country source of the restored work), reliance parties can continue using the derivative work indefinitely, without permission of the owner of the restored copyright.[197] The statute simply requires that the reliance party pay compensation to the owner of the restored copyright. If the parties cannot agree on compensation, courts are instructed to set a rate that reflects "any harm to the actual or potential market for or value of the restored work from the reliance party's continued exploitation of the work, as well as compensation for the relative contributions of expression of the author of the restored work and the reliance party to the derivative work."[198]

CONCLUSION

In this Article, we call for a radical transformation in the fair use doctrine—not in determining when uses are "fair," but, rather, in delineating the scope of the protection afforded by fair use findings. Today, fair use is personal and individualized. A fair use ruling helps only the individual defendant who was sued for copyright infringement and protects only the challenged use or uses by that defendant. Her victory does not carry over to others who receive permission to use her work that incorporates the fair use. We call for the introduction of a new fair use conception modelled as a property incident. The property version of fair use would provide immunity to any third party who uses derivative works that fairly incorporate copyrighted content with permission from the fair user. Fair use rulings would benefit all those that lawfully use, perform, distribute and adapt follow-on works in which copyrighted content is fairly embedded (i.e., incorporated by right of fair use). Downstream users of the follow-on work would no longer need to engage in any bargaining with the owner of the original source

[195] *Id.*
[196] *Id.*
[197] Copyright Act of 1976, 17 U.S.C. § 104A (d)(2)(B) (outlining a 12- month grace period for reliance parties after notice is given of intent to restore a copyright).
[198] *Id.*

work; it would suffice for them to obtain a license from the fair user who created the follow-on work.

Implementation of our proposal would give courts broad discretion to decide which fair use, if any, to recognize in cases brought before them. To assist courts, we propose two default rules that would apply when courts fail to specify which of the two fair use conceptions it has selected. In cases involving derivative works that incorporate preexisting copyright content, the property version of fair use should apply and run to subsequent users of the derivative work. In other cases, the traditional, in personam version should govern. Courts would retain the discretion to diverge from the default rules, by, for example, creating an in personam fair use for a derivative work. The reform we propose would benefit not only users, but also creators who fairly rely on preexisting materials as it would dramatically enhance the marketability, and thus the value, of their works. The proposal is fully consistent with the general trend in copyright law to protect marketability even at the expense of the veto power of the original work owner. At the same time, our remedy respects the judicial autonomy that has traditionally characterized fair use rulings.

Copyright law is not exclusively concerned with the production of original expressive content; it also seeks to promote the use of works after they have been created. One of the central purposes of fair use to doctrine is to ensure such future use. Without reform, the fair use doctrine cannot afford adequate protection to user interests. We submit that our proposed reform would follow in the footsteps of similar accommodations already made by copyright law to protect the rights and interests of follow-on users and creators. An in rem conception of fair use that exists alongside the traditional in personam fair use privilege can bring about an improved balance in copyright law between the rights of creators and those of follow-on users.